OFFICIAL TRANSCRIPT OF PROCEEDINGS
BEFORE THE
POSTAL RATE COMMISSION

In the Matter of:

POSTAL RATE AND FEE CHANGES

Docket No.: R2006-1

VOLUME #40

Designations of Written Cross-Examination (DFC-T1), Kobajian (UCA-T3), Clark (MPA/ANM-T2), Silver (NMA-T3), Smith (OCA-T2), Smith (OCA-T3), Mitchell (TW-T1), Sternberg (TW-T2), Institutional (UPS), Abdirahman (USPS-T22), Bradley (USPS-T17), Coombs (USPS-T34), Loetscher (USPS-T6), Mayes (USPS-T25), McCrery (USPS-T42), O'Hara (USPS-T31), Page (USPS-T23), Scherer (USPS-T33), Smith (USPS-T13), Tang (USPS-T35), Taufique (USPS-T32), Institutional (USPS)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006 Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION

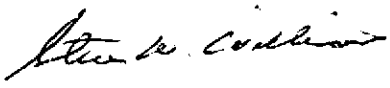
Party	Interrogatories
Douglas F. Carlson	
Douglas F. Carlson (DFC-T-1)	
David B. Popkin	DBP/DFC-T1-1
Greeting Card Association	
Harry Kelejian (GCA-T-5)	
United States Postal Service	USPS/GCA-T1-63b-f redirected to T5
Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers	
Sander Glick (MPA/ANM-T-2)	
Postal Rate Commission	PRC/MPA/ANM-POIR No.22 - Q1 redirected to T2
National Newspaper Association	
Stephen E. Siwek (NNA-T-3)	
United States Postal Service	USPS/NNA-T3-25
Office of the Consumer Advocate	
J. Edward Smith (OCA-T-2)	
Postal Rate Commission	PRC/OCA-T2-POIR No.17 - Q1

Party	Interrogatories
J. Edward Smith (OCA-T-3)	
Postal Rate Commission	PRC/OCA-POIR No.25 - Q1-2 redirected to T3
Time Warner Inc.	
Robert W. Mitchell (TW-T-1)	
Postal Rate Commission	PRC/TW-POIR No.18 - Qa (part 1 of 2) redirected to T1
Halstein Stralberg (TW-T-2)	
Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers	Response to Questions Posed at Hearing Tr. 31/10647
Postal Rate Commission	PRC/TW-POIR No.19 - Q1 redirected to T2
United Parcel Service	
Institutional	
United States Postal Service	USPS/UPS-T3-7 redirected to UPS
United States Postal Service	
Abdulkadir Abdirahman (USPS-T-22)	
Postal Rate Commission	PRC/USPS-POIR No.8 - Q15d redirected to T22
Michael D. Bradley (USPS-T-17)	
Postal Rate Commission	PRC/USPS-POIR No.24 - Q1-5 redirected to T17
Joyce K. Coombs (USPS-T-44)	
Postal Rate Commission	UPS/USPS-T37-6 redirected to T44
Richard G. Loutsch (USPS-T-6)	
Postal Rate Commission	PRC/USPS-POIR No.16 - Q6 redirected to T6

Party	Interrogatories
Virginia J. Mayes (USPS-T-25)	
Postal Rate Commission	PRC/USPS-POIR No.21 - Q2 redirected to T25
Marc D. McCrery (USPS-T-42)	
Postal Rate Commission	GCA/USPS-T42-6 UPS/USPS-T42-1a
Donald J. O'Hara (USPS-T-31)	
Postal Rate Commission	PRC/USPS-POIR No.16 - Q12 redirected to T31
James W. Page (USPS-T-23)	
Postal Rate Commission	PRC/USPS-POIR No.20 - Q2-3 redirected to T23
Thomas M. Scherer (USPS-T-33)	
Postal Rate Commission	PRC/USPS-POIR No.20 - Q1 redirected to T33
Marc A. Smith (USPS-T-13)	
Postal Rate Commission	PRC/USPS-POIR No.16 - Q1, 4 redirected to T13
Rachel Tang (USPS-T-35)	
Postal Rate Commission	MPA/USPS-T35-23-24 PRC/USPS-POIR No.16 - Q8, POIR No.23 - Q1 redirected to T35
Altaf H. Taufique (USPS-T-32)	
Postal Rate Commission	PRC/USPS-POIR No.16 - Q10, 11, 3, 9 redirected to T32
Institutional	
Association of Alternate Postal Systems	AAPS/USPS-T36-3-5, 7 redirected to USPS

Party	Interrogatories
David B. Popkin	DBP/USPS-253-254, 317, 535, 571, 673, 677-693, 697-700 DFC/USPS-80-83
Office of the Consumer Advocate	OCA/USPS-109-111
Parcel Shippers Association	PSA/USPS-2
Postal Rate Commission	PRC/USPS-POIR No.21 - Q1

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
Douglas F. Carlson	
Douglas F. Carlson (DFC-T-1)	
DBP/DFC-T1-1	Popkin
Greeting Card Association	
Harry Kelejian (GCA-T-5)	
USPS/GCA-T1-63b redirected to T5	USPS
USPS/GCA-T1-63c redirected to T5	USPS
USPS/GCA-T1-63d redirected to T5	USPS
USPS/GCA-T1-63e redirected to T5	USPS
USPS/GCA-T1-63f redirected to T5	USPS
Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers	
Sander Glick (MPA/ANM-T-2)	
PRC/MPA/ANM-POIR No.22 - Q1 redirected to T2	PRC
National Newspaper Association	
Stephen E. Siwek (NNA-T-3)	
USPS/NNA-T3-25	USPS
Office of the Consumer Advocate	
J. Edward Smith (OCA-T-2)	
PRC/OCA-T2-POIR No.17 - Q1	PRC
J. Edward Smith (OCA-T-3)	
PRC/OCA-POIR No.25 - Q1 redirected to T3	PRC
PRC/OCA-POIR No.25 - Q2 redirected to T3	PRC

Interrogatory	Designating Parties
Time Warner Inc.	
Robert W. Mitchell (TW-T-1)	
PRC/TW-POIR No.18 - Qa (part 1 of 2) redirected to T1	PRC
Halstein Stralberg (TW-T-2)	
PRC/TW-POIR No.19 - Q1 redirected to T2	PRC
Response to Questions Posed at Hearing Tr. 31/10647	MPA/ANM
United Parcel Service	
Institutional	
USPS/UPS-T3-7 redirected to UPS	USPS
United States Postal Service	
Abdulkadir Abdirahman (USPS-T-22)	
PRC/USPS-POIR No.8 - Q15d redirected to T22	PRC
Michael D. Bradley (USPS-T-17)	
PRC/USPS-POIR No.24 - Q1 redirected to T17	PRC
PRC/USPS-POIR No.24 - Q2 redirected to T17	PRC
PRC/USPS-POIR No.24 - Q3 redirected to T17	PRC
PRC/USPS-POIR No.24 - Q4 redirected to T17	PRC
PRC/USPS-POIR No.24 - Q5 redirected to T17	PRC
Joyce K. Coombs (USPS-T-44)	
UPS/USPS-T37-6 redirected to T44	PRC
Richard G. Loutsch (USPS-T-6)	
PRC/USPS-POIR No.16 - Q6 redirected to T6	PRC
Virginia J. Mayes (USPS-T-25)	
PRC/USPS-POIR No.21 - Q2 redirected to T25	PRC
Marc D. McCrery (USPS-T-42)	
GCA/USPS-T42-6	PRC
UPS/USPS-T42-1a	PRC

Interrogatory	Designating Parties
Donald J. O'Hara (USPS-T-31)	
PRC/USPS-POIR No.16 - Q12 redirected to T31	PRC
James W. Page (USPS-T-23)	
PRC/USPS-POIR No.20 - Q2 redirected to T23	PRC
PRC/USPS-POIR No.20 - Q3 redirected to T23	PRC
Thomas M. Scherer (USPS-T-33)	
PRC/USPS-POIR No.20 - Q1 redirected to T33	PRC
Marc A. Smith (USPS-T-13)	
PRC/USPS-POIR No.16 - Q1 redirected to T13	PRC
PRC/USPS-POIR No.16 - Q4 redirected to T13	PRC
Rachel Tang (USPS-T-35)	
MPA/USPS-T35-23	PRC
MPA/USPS-T35-24	PRC
PRC/USPS-POIR No.16 - Q8 redirected to T35	PRC
PRC/USPS-POIR No.23 - Q1 redirected to T35	PRC
Altaf H. Taufique (USPS-T-32)	
PRC/USPS-POIR No.16 - Q10 redirected to T32	PRC
PRC/USPS-POIR No.16 - Q11 redirected to T32	PRC
PRC/USPS-POIR No.16 - Q3 redirected to T32	PRC
PRC/USPS-POIR No.16 - Q9 redirected to T32	PRC
Institutional	
AAPS/USPS-T36-3 redirected to USPS	AAPS
AAPS/USPS-T36-4 redirected to USPS	AAPS
AAPS/USPS-T36-5 redirected to USPS	AAPS
AAPS/USPS-T36-7 redirected to USPS	AAPS
DBP/USPS-253	Popkin
DBP/USPS-254	Popkin
DBP/USPS-317	Popkin
DBP/USPS-535	Popkin
DBP/USPS-571	Popkin

Interrogatory	Designating Parties
DBP/USPS-673	Popkin
DBP/USPS-677	Popkin
DBP/USPS-678	Popkin
DBP/USPS-679	Popkin
DBP/USPS-680	Popkin
DBP/USPS-681	Popkin
DBP/USPS-682	Popkin
DBP/USPS-683	Popkin
DBP/USPS-684	Popkin
DBP/USPS-685	Popkin
DBP/USPS-686	Popkin
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DBP/USPS-691	Popkin
DBP/USPS-692	Popkin
DBP/USPS-693	Popkin
DBP/USPS-697	Popkin
DBP/USPS-698	Popkin
DBP/USPS-699	Popkin
DBP/USPS-700	Popkin
DFC/USPS-80	Popkin
DFC/USPS-81	Popkin
DFC/USPS-82	Popkin
DFC/USPS-83	Popkin
OCA/USPS-109	OCA
OCA/USPS-110	OCA
OCA/USPS-111	OCA
PRC/USPS-POIR No.21 - Q1	PRC
PSA/USPS-2	PSA

R2006-1

Douglas F. Carlson

Douglas F. Carlson
(DFC-T-1)

RESPONSE OF DOUGLAS F. CARLSON
TO INTERROGATORY OF DAVID B. POPKIN

DBP/DFC-T1-1. Please refer to your response to Interrogatory USPS/DFC-T1-12. For your mailings on September 15, 18, and 19, 2006, how many days elapsed between the date of delivery and the date on which the Postal Service provided the recipient's signature to you? Please provide both an average and a maximum.

RESPONSE:

The average time for the Postal Service to provide the signature to me by e-mail was 4.59 to 5.74 days after delivery.

I am providing a range because of a feature of the Postal Service's Web tracking system. When customers request a Proof of Delivery letter at the Postal Service's Web site, the Postal Service will provide the Proof of Delivery letter almost immediately if the signature has been scanned and attached to the electronic delivery record. Otherwise, the Postal Service holds the request in a pending status for seven days. If the signature is not on file after seven days, the Postal Service sends a Proof of Delivery letter reporting that no signature is on file.

Signatures sometimes show up more than seven days after delivery. For this study (and previous ones described in my testimony), I need to continue monitoring delivery records to determine whether signatures eventually arrive. Unfortunately, if a customer submits a new request for a Proof of Delivery letter more than seven days after delivery, the system provides a Proof of Delivery letter immediately. If no signature is available at the moment the request arrives, the Postal Service immediately sends another Proof of Delivery letter indicating that no signature is on file. Thus, when I receive the first Proof of Delivery letter indicating that no signature is on file, I cannot submit a new request and expect it to be held in a convenient pending status for seven days. Consequently, to calculate the time required to provide the signature, I would have needed to submit a request for a Proof of Delivery letter every day (for perhaps 20 or more items). This approach would have been impractical.

RESPONSE OF DOUGLAS F. CARLSON
TO INTERROGATORY OF DAVID B. POPKIN

As an alternative, I first recorded the number of days after delivery during which a signature initially was not available (X). (The initial value for X usually was 7.) Next, I submitted a new request for a Proof of Delivery letter several days later (Y days after delivery). If the signature was immediately available, I knew that the signature became available between X and Y days after delivery. I sometimes performed this routine for two to four rounds after delivery, each time updating my value for X.

In the end, 16 signatures arrived so late that I knew only the range of days required for the signature to be available (X to Y). The range of days for these signatures was 7 to 22. I arrived at the lower average of 4.59 days for the entire mailing by using the low end of the range (X) for each late signature, and I arrived at the higher average of 5.74 days by using the high end of the range (Y) for each late signature. The true average probably is somewhere in the middle.

The longest definitive, confirmed number of days to provide a signature was 14. Seven signatures definitely did not show up for 10 days or more.

The median number of days to delivery was four.

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Greeting Card Association

Harry Kelejian
(GCA-T-5)

RESPONSE OF GREETING CARD ASSOCIATION WITNESS KELEJIAN TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE REDIRECTED FROM WITNESS CLIFTON

USPS/GCA-T1-63: In your response to USPS/GCA-T1-16, you quote Dennis Carlton and Jeffrey Perloff, "All else the same, the larger a cross-elasticity of demand, the larger in absolute value is the direct elasticity of demand."

a. Please confirm that Carlton and Perloff are talking about true (i.e., not estimated) price elasticities under long-run equilibrium conditions in the quoted text. If not confirmed, please explain fully.

b. Question USPS/GCA-T1-16 asked about your quote that "[a] direct estimate of that cross price elasticity, b_2, would greatly sharpen the estimate for b, the own-price elasticity of demand for single piece payments mail." Please confirm that the relationship between the estimated values b and b_2 is a mathematical relationship, not an economic relationship. If not confirmed, please explain fully.

c. Consider the following two equations:

$$(1) \quad V = a + bX_1 + u$$

$$(2) \quad V = a + b_1X_1 + b_2X_2 + u$$

Please express the OLS estimator of b in equation (1) as a function of the OLS estimator of b_1 in equation (2).

d. Please confirm that the OLS estimator of b in equation (1) and the OLS estimator of b_1 in equation (2) in part c. of this question will be identical if sample correlation between X_1 and X_2 is zero. If not confirmed, please explain fully.

e. On page 17, at line 20 through page 18, line 2, you claim that "[o]ther things being equal, a further property of the demand specification in equation (2) is that when the cross price elasticity b_2 is high, the absolute value of the own price elasticity, b, will also tend to be high." Please confirm that this statement is only true mathematically if the prices P and P_2 are correlated. If not confirmed, please explain fully.

f. Please define the mathematical term "correlation" as it is commonly used in the fields of statistics and econometrics.

g. Please answer USPS/GCA-T1-17(d) using the definition of "correlation" in part f. above.

RESPONSE:

b. The equations of interest are

$$1.A \ : \ V = a + bX_1 + u$$

$$1.B \ : \ V = a + b_1X_1 + b_2X_2 + u$$

Suppose one estimates b in terms of (1.A), and estimates b_2 in terms of (1.B). Let $\hat{b}$ be the estimated value of b, and let $\hat{b}_2$ be the estimated value of b_2. Then, the relationship between the estimated values $\hat{b}$ and $\hat{b}_2$ is a mathematical one, or perhaps more precisely, a statistical one. The nature of the relationship will, of course, depend on equations (1.A) and (1.B).

c. Let X_{t1},X_{t2}, and V_t be the t-th observed values of X_1, X_2 and V in the sample of size T: t = 1, ..., T. Let $\bar{X}_1$ be the sample average of X_1. Then the least squares estimate of b, namely $\hat{b}$ obtained from equation (1.A) can be written as

$$\hat{b} = \frac{\Sigma_{t=1}^{T}(X_{t1} - X_1)V_t}{\Sigma_{t=1}^{T}(X_{t1} - \bar{X}_1)^2} \qquad (1)$$

As a point of information, note that $\bar{X}_1$ is the predicted value of X_1 from the regression of X_1 on the constant term which is the other regressor in the model (1.A).

Now consider the model in (1.B). Let $\hat{X}_{t1}$ be the t-th predicted value of X_{t1} from a regression of X_{t1} on the constant term and X_{t2}, which are the two other regressors in model (1.B). Then the estimate of b_1 obtained from equation (1.B) can be written as[1]

$$\hat{b}_1 = \frac{\Sigma_{t=1}^{T}(X_{t1} - \hat{X}_{t1})V_t}{\Sigma_{t=1}^{T}(X_{t1} - \hat{X}_{t1})^2} \qquad (2)$$

The sample correlation between X_1 and X_2 will be zero if the sample covariance is zero which would be the case if :

$$\Sigma_{t=1}^{T}(X_{t1} - \bar{X}_1)X_{t2} = 0 \qquad (3)$$

[1] See pages 26-27 in, William Greene, Economic Analysis, 5th edition, Prentice Hall, Upper Saddle River, NJ, 2003.

If condition (3) holds, then $\hat{b}$ and $\hat{b}_1$ will be the same. The reason for this is that, in this case, $\hat{X}_{t1} = \bar{X}_1$.

Perhaps a more informative way to look at this is to write equations (1.A) and (1.B) above in matrix terms. Consider (1.A). Let Z be the $Tx2$ matrix of observations on the regressors, which are the constant term and X_1. Denote the parameters of (1.A) as $\gamma' = (a, b)$. Then the least squares estimate of γ from (1.A) is

$$\hat{\gamma} = (Z'Z)^{-1}Z'V \tag{4}$$

Using evident notation, now consider the model in (1.B), and denote its parameters as $\delta' = (a, b_1, b_2)$. The regressor matrix for this model is $W = (Z, X_2)$. The least squares estimate of $\delta'_1 = (a, b_1)$ based on model (1.B) can be expressed as

$$\hat{\delta}_1 = (Z'_{.X_2}Z_{.X_2})^{-1}Z'_{.X_2}V$$

where

$$\begin{aligned} Z_{.X_2} &= [I - X_2(X_2'X_2)^{-1}X_2']Z \qquad (5) \\ &= Z - X_2(X_2'X_2)^{-1}X_2'Z \\ &= Z \\ &\quad if \;\; X_2'Z = 0 \qquad (6) \end{aligned}$$

If the condition in (6) hold then it should be clear that the estimates of **both** the constant and the slope parameter, b based on (1.A) will be the same as the estimates of the constant and the slope parameter b_1 based on (1.B). Note that the condition in (6) implies

$$\begin{aligned} \Sigma_{t=1}^{T} X_{t2} &= 0 \\ \Sigma_{t=1}^{T} X_{t2}X_{t1} &= 0 \end{aligned}$$

which, of course, imply that X_1 and X_2 are uncorrelated.

d. Please see answer to (c) above.

e. Consider equation (1.B). Given typical assumptions, the least squares estimator of its coefficient, namely a, b_1, b_2 are not biased. However, if X_1 and X_2 are highly correlated, the variance of the estimator of b_1 will be large. For example, using a formula in the text by W. Greene[2] the variance of the least squares estimator of b_1, say $\hat{b}_1$ is

$$var(\hat{b}_1) = \frac{\sigma_u^2}{\Sigma_{t=1}^{T}(X_{t1} - \hat{X}_{t1})^2} \tag{7}$$

where σ_u^2 is the variance of the error term in (1.B), and $\hat{X}_{t1}$ is the predicted value of X_1 in terms of the regression of X_1 on the other regressors in the model, namely the constant and X_2. Clearly, if X_1 and X_2 are highly correlated, $\hat{X}_{t1}$ will be a good predictor of X_1 and so the denominator in (7) will be small. Indeed, if X_1 and X_2 are "very" highly correlated, the variance of $\hat{b}_1$, as given in (7) will "huge". In such a case, one would have little faith in the estimate of b_1 because, for example, a 95% confidence interval for b_1 would be very wide.

f. The correlation between two variables, say y and x, say $corr(y, x)$, is defined as

$$corr(y, x) = \frac{cov(y, x)}{\sigma_y \sigma_x}$$

where $cov(y, x)$ is the covariance between these two variables, and σ_y is the standard deviation of y, and σ_x is the standard deviation of x. The sample correlation would be taken as an estimate of $corr(y, x)$. For example, one such estimate would be

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[2] See page 29, Theorem 3.4 in, William Greene, Economic Analysis, 5th edition, Prentice Hall, Upper Saddle River, NJ, 2003.

$$\widehat{corr}(y,x) = \frac{\widehat{cov(y,x)}}{\hat{\sigma}_y \hat{\sigma}_x}$$

where

$$\begin{aligned} \widehat{cov(y,x)} &= \Sigma_{t=1}^{T}(y_t - \bar{y})x_t/(T-1) \\ \hat{\sigma}_y &= [\Sigma_{t=1}^{T}(y_t - \bar{y})^2/(T-1)]^{1/2} \\ \hat{\sigma}_x &= [\Sigma_{t=1}^{T}(x_t - \bar{x})^2/(T-1)]^{1/2} \end{aligned}$$

where $\bar{y}$ and $\bar{x}$ are the sample averages of *y* and *x*.

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Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers

Sander Glick
(MPA/ANM-T-2)

RESPONSE OF MPA/ANM WITNESS GLICK TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 22

Information Request

1. Please refer to MPA/ANM-T-2, page 6, line 21 to page 7, line 3 where witness Glick discusses his adjustment to the per-pound portion of the DSCF container handling cost avoidance. Refer also to cell E57 of worksheet 'POUND_DATA_ADV' in Excel file MPA-ANM-LR-2. Is it also necessary to make a similar adjustment in the calculation of the per-pound portion of the DDU container handling cost avoidance (cell E56)? Please explain your answer fully.

Response Of MPA/ANM Witness Glick

No. As discussed in my response to USPS/MPA/ANM-T2-34, the value in cell E56 should equal the transportation cost per pound for DDU-entered periodicals minus the per-pound portion (50%) of the DDU container-handling cost avoidance. The transportation cost per pound for DDU parcels is zero and the per-pound portion of the DDU container-handling cost avoidance (cell E47) is 4.3 cents per pound. Thus, the value in cell E56 should be -$0.043, which it is.

Consistent with the above explanation of the value in cell E56, I recently filed (as MPA/ANM-LR-6) a version of my rate design spreadsheet (MPA/ANM-LR-1) that replaces the complicated formula in cell E56 with the much more straightforward formula "-E47". While this formula is much simpler than the one used in MPA/ANM-LR-1, both formulae produce the same correct value (-$0.043) in cell E56.

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National Newspaper Association

Stephen E. Siwek
(NNA-T-3)

REVISED RESPONSE OF NATIONAL NEWSPAPER ASSOCIATION WITNESS SIWEK TO INTERROGATORY OF UNITED STATES POSTAL SERVICE

USPS/NNA T3-25

USPS/NNA-T3-25 In your testimony at page 27, lines 20 to 21, you state, "I recommend that the Commission accept the Within County rate design shown on page 10 of Appendix D."

(a) Please complete the following table showing the postage rates that would apply to a 4-ounce Within County publication under the rates you propose on page 10 of Appendix D of your testimony, as well as the percentage changes over current rates that those rates would represent. If possible, please provide in Excel format.

Presort Level	Rate	% Change from Current
Basic Nonauto		
Basic Auto Flat		
Basic Auto Letter		
3D Nonauto		
3D Auto Flat		
3D Auto Letter		
5D Nonauto		
5D Auto Flat		
5D Auto Letter		
CR Basic (DU entered)		
CR Basic (not DU entered)		
CR HD (DU entered)		
CR HD (not DU entered)		
CR SAT (DU entered)		
CR SAT (not DU entered)		

(b) Please provide tables in the same format as in part (a) showing the rates and percentage changes over current rates for a 4-ounce Within County publication that would result from the rates shown on i) page 5 of Appendix D of your testimony, and ii) page 7 of Appendix D of your testimony. If possible, please provide in Excel format.

Response (REVISED 11/6/06)

See attached spreadsheet.

Revised Response of NNA Witness Siwek
to
USPS/NNA-T3-25 (a)

PERIODICALS WITHIN COUNTY
CURRENT vs. PROPOSED RATES
Appendix D Revised at page 10.

	Current Rates	Rates Proposed at page 10 of Appendix D	Current Rates for a 4 oz. piece	Proposed Rates for a 4 oz. piece	Percent Change
Pounds					
Delivery Unit	0.109	0.109			
General	0.142	0.146			
Pieces					
BASIC NON-AUTOMATION	0.103	0.150	0.1385	0.1865	34.66%
BASIC AUTOMATION LETTER	0.049	0.090	0.0845	0.1265	49.70%
BASIC AUTOMATION FLAT	0.075	0.141	0.1105	0.1775	60.63%
3-DIGIT NON-AUTOMATION	0.095	0.141	0.1305	0.1775	36.02%
3-DIGIT AUTOMATION LETTER	0.047	0.083	0.0825	0.1195	44.85%
3-DIGIT AUTOMATION FLAT	0.071	0.130	0.1065	0.1665	56.34%
5-DIGIT NON-AUTOMATION	0.085	0.131	0.1205	0.1675	39.00%
5-DIGIT AUTOMATION LETTER	0.045	0.084	0.0805	0.1205	49.69%
5-DIGIT AUTOMATION FLAT	0.065	0.126	0.1005	0.1625	61.69%
CARRIER ROUTE BASIC (at DU)	0.049	0.065	0.0703	0.0843	19.93%
CARRIER ROUTE BASIC (No DU)	0.049	0.065	0.0845	0.1015	20.12%
CR HIGH DENSITY (at DU)	0.033	0.048	0.0543	0.0673	23.96%
CR HIGH DENSITY (No DU)	0.033	0.048	0.0685	0.0845	23.36%
CR SATURATION (at DU)	0.027	0.037	0.0483	0.0563	16.58%
CR SATURATION (No DU)	0.027	0.037	0.0625	0.0735	17.60%

Revised Response of NNA Witness Siwek
to
USPS/NNA-T3-25 (b)(i)

PERIODICALS WITHIN COUNTY CURRENT vs. DESCRIBED RATES *Appendix D Revised at page 5*	Current Rates	Rates Described at page 5 of Appendix D	Current Rates for a 4 oz. piece	Described Rates for a 4 oz. piece	Percent Change
Pounds					
Delivery Unit	0.109	0.109			
General	0.142	0.146			
Pieces					
BASIC NON-AUTOMATION	0.103	0.128	0.1385	0.1645	18.77%
BASIC AUTOMATION LETTER	0.049	0.068	0.0845	0.1045	23.67%
BASIC AUTOMATION FLAT	0.075	0.119	0.1105	0.1555	40.72%
3-DIGIT NON-AUTOMATION	0.095	0.119	0.1305	0.1555	19.16%
3-DIGIT AUTOMATION LETTER	0.047	0.061	0.0825	0.0975	18.18%
3-DIGIT AUTOMATION FLAT	0.071	0.108	0.1065	0.1445	35.68%
5-DIGIT NON-AUTOMATION	0.085	0.109	0.1205	0.1455	20.75%
5-DIGIT AUTOMATION LETTER	0.045	0.062	0.0805	0.0985	22.36%
5-DIGIT AUTOMATION FLAT	0.065	0.104	0.1005	0.1405	39.80%
CARRIER ROUTE BASIC (at DU)	0.049	0.071	0.0703	0.0903	28.47%
CARRIER ROUTE BASIC (No DU)	0.049	0.071	0.0845	0.1075	27.22%
CR HIGH DENSITY (at DU)	0.033	0.055	0.0543	0.0743	36.87%
CR HIGH DENSITY (No DU)	0.033	0.055	0.0685	0.0915	33.58%
CR SATURATION (at DU)	0.027	0.043	0.0483	0.0623	29.02%
CR SATURATION (No DU)	0.027	0.043	0.0625	0.0795	27.20%

Revised Response of NNA Witness Siwek
to
USPS/NNA-T3-25 (b)(ii)

PERIODICALS WITHIN COUNTY
CURRENT vs. DESCRIBED RATES
Appendix D Revised at page 7

	Current Rates	Rates Described at page 7 of Appendix D	Current Rates for a 4 oz. piece	Described Rates for a 4 oz. piece	Percent Change
Pounds					
Delivery Unit	0.109	0.142			
General	0.142	0.179			
Pieces					
BASIC NON-AUTOMATION	0.103	0.139	0.1385	0.1838	32.67%
BASIC AUTOMATION LETTER	0.049	0.079	0.0845	0.1238	46.45%
BASIC AUTOMATION FLAT	0.075	0.130	0.1105	0.1748	58.14%
3-DIGIT NON-AUTOMATION	0.095	0.130	0.1305	0.1748	33.91%
3-DIGIT AUTOMATION LETTER	0.047	0.072	0.0825	0.1168	41.52%
3-DIGIT AUTOMATION FLAT	0.071	0.119	0.1065	0.1638	53.76%
5-DIGIT NON-AUTOMATION	0.085	0.120	0.1205	0.1648	36.72%
5-DIGIT AUTOMATION LETTER	0.045	0.073	0.0805	0.1178	46.27%
5-DIGIT AUTOMATION FLAT	0.065	0.115	0.1005	0.1598	58.96%
CARRIER ROUTE BASIC (at DU)	0.049	0.054	0.0703	0.0815	16.01%
CARRIER ROUTE BASIC (No DU)	0.049	0.054	0.0845	0.0988	16.86%
CR HIGH DENSITY (at DU)	0.033	0.037	0.0543	0.0645	18.89%
CR HIGH DENSITY (No DU)	0.033	0.037	0.0685	0.0818	19.34%
CR SATURATION (at DU)	0.027	0.026	0.0483	0.0535	10.88%
CR SATURATION (No DU)	0.027	0.026	0.0625	0.0708	13.20%

R2006-1

Office of the Consumer Advocate

J. Edward Smith
(OCA-T-2)

RESPONSE OF OCA WITNESS J. EDWARD SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 17

OCA-LR-L-3, "Listing of Programs-Window Analysis.doc," refers to the following SAS files: bwindows.poir10db; bwindows.studntresid; bwindows.walk; and bwindows.quantity. Please identify the Postal Service library references and files, interrogatory responses, or other sources where the data contained in these SAS files are located in the record.

RESPONSE

Sources of the data are listed below. Although the data are in SAS files, they are imported from Excel files. The Excel files are attached.

bwindows.poir10db: Data were provided by Witness Bradley in response to question 10 of POIR 3 : USPS-LR-L-136- Window-Service Spreadsheets Provided by Witness Bradley (USPS-T-17) in Response to POIR No. 3, Items 7-8,10-11

bwindows.studntresid: The sources is POIR 7, Question 7.

bwindows.walk: USPS-LR-L-159, Attachment OCA12.xls.

bwindows.quantity: USPS-LR-L-80, wscleanpos.11.3.05.xls contains the data in an Excel spreadsheet. Selected columns from the spreadsheet were entered in the table.

See Library Reference OCA-LR-L-7, "Data Files Associated with Presiding Officer's Information Request No. 17," filed concurrently with this response.

R2006-1

Office of the Consumer Advocate

J. Edward Smith
(OCA-T-3)

1. In "Response of Postal Service Witness Bradley to POIR No. 9, Question 9," witness Bradley concluded that dropping all interaction terms from his full quadratic street time variability model would introduce bias if the omitted variables were correlated with the regressors remaining in the restricted model. He observed that the benefit of dropping all interaction terms was a reduction in multicollinearity.
   a. Please determine whether the regressors dropped from the full quadratic models in CC2A and CC3A which yielded models CC2B and CC3B (in Table 1 of OCA-T-3) are correlated with the regressors remaining in CC2B, and CC3B, respectively. For these tests, please provide the SAS logs and output, or other appropriate outputs.
   b. Please provide your opinion of the relative merits of omitting or retaining the interaction terms referenced above, in terms of their effects on multicollinearity and bias.

RESPONSE

The SAS program, SAS log, and SAS output for CC2A and CC2B used to generate this response are presented in the Equation 2 folder of Library Reference OCA-LR-L-10. The SAS program, SAS log, and SAS output for CC3A and CC3B used to generate this response are presented in the Equation 3 folder of OCA-LR-L10.

(a) The correlation matrices are presented below. For Equation 2, the matrix of correlations between the regressors (on the rows) and the interaction terms (in the columns) presents the correlations and the p-value for the null hypothesis of no correlation. There is correlation between the variables in the restricted model and the omitted variables. In some cases the correlation is substantial, most noticeably in the case of small packages.

Equation 2 Correlation Matrix

Pearson Correlation Coefficients, N = 1545
Prob > |r| under H0: Rho=0

	lf	lse	lcv	lspr	ldp	fse	fcv
let	0.85678 <.0001	0.37775 <.0001	0.50269 <.0001	0.78128 <.0001	0.90886 <.0001	0.32424 <.0001	0.46113 <.0001
let2	0.89447 <.0001	0.28365 <.0001	0.42846 <.0001	0.86051 <.0001	0.91252 <.0001	0.23139 <.0001	0.38115 <.0001
cf	0.86695 <.0001	0.29209 <.0001	0.42200 <.0001	0.60662 <.0001	0.67950 <.0001	0.37405 <.0001	0.55249 <.0001
cf2	0.91453 <.0001	0.20098 <.0001	0.37814 <.0001	0.63271 <.0001	0.65883 <.0001	0.28023 <.0001	0.52721 <.0001
seq	0.12284 <.0001	0.88722 <.0001	0.19021 <.0001	0.10605 <.0001	0.17143 <.0001	0.87188 <.0001	0.17768 <.0001
seq2	0.09984 <.0001	0.78055 <.0001	0.15850 <.0001	0.09850 0.0001	0.14221 <.0001	0.75533 <.0001	0.14730 <.0001
cv	0.17430 <.0001	0.18147 <.0001	0.80651 <.0001	0.15918 <.0001	0.16572 <.0001	0.17221 <.0001	0.72481 <.0001
cv2	0.06320 0.0130	0.07834 0.0021	0.61391 <.0001	0.08147 0.0013	0.06611 0.0093	0.05976 0.0188	0.46908 <.0001
spr	0.65389 <.0001	0.27026 <.0001	0.40834 <.0001	0.86214 <.0001	0.71580 <.0001	0.23618 <.0001	0.38471 <.0001
spr2	0.63609 <.0001	0.14048 <.0001	0.27396 <.0001	0.92374 <.0001	0.65193 <.0001	0.11534 <.0001	0.24589 <.0001
dp	0.61420 <.0001	0.34568 <.0001	0.37235 <.0001	0.60983 <.0001	0.84987 <.0001	0.29188 <.0001	0.35430 <.0001
dp2	0.62973 <.0001	0.31569 <.0001	0.31606 <.0001	0.64053 <.0001	0.89798 <.0001	0.25896 <.0001	0.30416 <.0001
dens	0.24429 <.0001	0.03377 0.1846	0.06283 0.0135	0.18294 <.0001	0.42601 <.0001	0.02116 0.4059	0.00407 0.8731
dens2	0.16291 <.0001	-0.04681 0.0658	0.02470 0.3320	0.11356 <.0001	0.34370 <.0001	-0.05048 0.0473	-0.03648 0.1518

Equation 2 Correlation Matrix, Continued

Pearson Correlation Coefficients, N = 1545
Prob > |r| under H0: Rho=0

	fspr	fdp	scv	sspr	sdp	cspr	cdp
let	0.71967 <.0001	0.81136 <.0001	0.18891 <.0001	0.30325 <.0001	0.30994 <.0001	0.35412 <.0001	0.41448 <.0001
let2	0.74795 <.0001	0.77156 <.0001	0.11367 <.0001	0.21377 <.0001	0.21925 <.0001	0.27194 <.0001	0.31148 <.0001
cf	0.76043 <.0001	0.87638 <.0001	0.16077 <.0001	0.23913 <.0001	0.23743 <.0001	0.30507 <.0001	0.36405 <.0001
cf2	0.81469 <.0001	0.88559 <.0001	0.09219 0.0003	0.15364 <.0001	0.15076 <.0001	0.25553 <.0001	0.30139 <.0001
seq	0.09825 0.0001	0.15932 <.0001	0.69370 <.0001	0.87596 <.0001	0.90532 <.0001	0.15473 <.0001	0.23058 <.0001
seq2	0.08987 0.0004	0.13163 <.0001	0.66621 <.0001	0.82162 <.0001	0.78674 <.0001	0.13790 <.0001	0.19137 <.0001
cv	0.16506	0.18282	0.55461	0.19100	0.18223	0.74541	0.83552

	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
cv2	0.06795 0.0075	0.06240 0.0142	0.51876 <.0001	0.08066 0.0015	0.08071 0.0015	0.63543 <.0001	0.65845 <.0001
spr	0.83878 <.0001	0.68869 <.0001	0.18067 <.0001	0.33717 <.0001	0.26093 <.0001	0.46601 <.0001	0.40827 <.0001
spr2	0.87188 <.0001	0.61506 <.0001	0.08079 0.0015	0.18874 <.0001	0.13071 <.0001	0.35949 <.0001	0.25401 <.0001
dp	0.58187 <.0001	0.78335 <.0001	0.20947 <.0001	0.32672 <.0001	0.38317 <.0001	0.31686 <.0001	0.44138 <.0001
dp2	0.60305 <.0001	0.81149 <.0001	0.17402 <.0001	0.29373 <.0001	0.35092 <.0001	0.26537 <.0001	0.37635 <.0001
dens	0.14877 <.0001	0.31918 <.0001	-0.00464 0.8552	0.02417 0.3424	0.03438 0.1768	-0.01129 0.6575	0.02659 0.2963
dens2	0.07909 0.0019	0.23576 <.0001	-0.04527 0.0753	-0.04470 0.0790	-0.04450 0.0803	-0.04417 0.0826	-0.01578 0.5355

Equation 2 Correlation Matrix, Continued

Pearson Correlation Coefficients, N = 1545
Prob > |r| under H0: Rho=0

	spdp	ldns	fdns	sdns	cdns	spdns	dpdns
let	0.74563 <.0001	0.55245 <.0001	0.53772 <.0001	0.25444 <.0001	0.28791 <.0001	0.52417 <.0001	0.42681 <.0001
let2	0.74105 <.0001	0.56558 <.0001	0.51752 <.0001	0.16959 <.0001	0.25072 <.0001	0.51922 <.0001	0.39146 <.0001
cf	0.60016 <.0001	0.31869 <.0001	0.50427 <.0001	0.19601 <.0001	0.15053 <.0001	0.37680 <.0001	0.25838 <.0001
cf2	0.59223 <.0001	0.27758 <.0001	0.46084 <.0001	0.11836 <.0001	0.09935 <.0001	0.34201 <.0001	0.20563 <.0001
seq	0.14813 <.0001	-0.00008 0.9975	0.01611 0.5270	0.81437 <.0001	0.09419 0.0002	0.03568 0.1610	-0.00303 0.9052
seq2	0.13413 <.0001	0.01688 0.5074	0.02684 0.2917	0.69294 <.0001	0.08823 0.0005	0.04587 0.0715	0.01528 0.5485
cv	0.17760 <.0001	0.00653 0.7977	-0.00890 0.7266	0.11273 <.0001	0.74684 <.0001	0.00515 0.8398	-0.03582 0.1594
cv2	0.08203 0.0013	0.00740 0.7712	0.00197 0.9384	0.07425 0.0035	0.68090 <.0001	0.02759 0.2785	-0.00407 0.8729
spr	0.91603 <.0001	0.25670 <.0001	0.31310 <.0001	0.19442 <.0001	0.13346 <.0001	0.50948 <.0001	0.24509 <.0001
spr2	0.88971 <.0001	0.21455 <.0001	0.25970 <.0001	0.08237 0.0012	0.06707 0.0084	0.45480 <.0001	0.17823 <.0001
dp	0.77870 <.0001	0.50875 <.0001	0.53373 <.0001	0.28799 <.0001	0.19307 <.0001	0.60233 <.0001	0.57512 <.0001
dp2	0.81774 <.0001	0.58316 <.0001	0.60863 <.0001	0.25087 <.0001	0.16120 <.0001	0.70725 <.0001	0.68201 <.0001
dens	0.26151 <.0001	0.86615 <.0001	0.82764 <.0001	0.17711 <.0001	0.36881 <.0001	0.79465 <.0001	0.91171 <.0001
dens2	0.18899 <.0001	0.85868 <.0001	0.80696 <.0001	0.01975 0.4379	0.30083 <.0001	0.74335 <.0001	0.90806 <.0001

Equation 3 Correlation Matrix

Pearson Correlation Coefficients, N = 1545
Prob > |r| under H0: Rho=0

	lf	lse	lcv	lspr	ldp	fse	fcv
let	0.85678 <.0001	0.37775 <.0001	0.50269 <.0001	0.78128 <.0001	0.90886 <.0001	0.32424 <.0001	0.46113 <.0001
let2	0.89447 <.0001	0.28365 <.0001	0.42846 <.0001	0.86051 <.0001	0.91252 <.0001	0.23139 <.0001	0.38115 <.0001
cf	0.86695 <.0001	0.29209 <.0001	0.42200 <.0001	0.60662 <.0001	0.67950 <.0001	0.37405 <.0001	0.55249 <.0001
cf2	0.91453 <.0001	0.20098 <.0001	0.37814 <.0001	0.63271 <.0001	0.65883 <.0001	0.28023 <.0001	0.52721 <.0001
seq	0.12284 <.0001	0.88722 <.0001	0.19021 <.0001	0.10605 <.0001	0.17143 <.0001	0.87188 <.0001	0.17768 <.0001
seq2	0.09984 <.0001	0.78055 <.0001	0.15850 <.0001	0.09850 0.0001	0.14221 <.0001	0.75533 <.0001	0.14730 <.0001
cv	0.17430 <.0001	0.18147 <.0001	0.80651 <.0001	0.15918 <.0001	0.16572 <.0001	0.17221 <.0001	0.72481 <.0001
cv2	0.06320 0.0130	0.07834 0.0021	0.61391 <.0001	0.08147 0.0013	0.06611 0.0093	0.05976 0.0188	0.46908 <.0001
spr	0.65389 <.0001	0.27026 <.0001	0.40834 <.0001	0.86214 <.0001	0.71580 <.0001	0.23618 <.0001	0.38471 <.0001
spr2	0.63609 <.0001	0.14048 <.0001	0.27396 <.0001	0.92374 <.0001	0.65193 <.0001	0.11534 <.0001	0.24589 <.0001
dp	0.61420 <.0001	0.34568 <.0001	0.37235 <.0001	0.60983 <.0001	0.84987 <.0001	0.29188 <.0001	0.35430 <.0001
dp2	0.62973 <.0001	0.31569 <.0001	0.31606 <.0001	0.64053 <.0001	0.89798 <.0001	0.25896 <.0001	0.30416 <.0001
dens	0.00877 0.7305	-0.06177 0.0152	-0.06023 0.0179	-0.01771 0.4867	0.09739 0.0001	-0.06853 0.0070	-0.09437 0.0002
dens2	-0.00814 0.7491	-0.07714 0.0024	-0.05894 0.0205	-0.02404 0.3451	0.05819 0.0222	-0.08007 0.0016	-0.08429 0.0009

Equation 3 Correlation Matrix, Continued

Pearson Correlation Coefficients, N = 1545
Prob > |r| under H0: Rho=0

	fspr	fdp	scv	sspr	sdp	cspr	cdp
let	0.71967 <.0001	0.81136 <.0001	0.18891 <.0001	0.30325 <.0001	0.30994 <.0001	0.35412 <.0001	0.41448 <.0001
let2	0.74795 <.0001	0.77156 <.0001	0.11367 <.0001	0.21377 <.0001	0.21925 <.0001	0.27194 <.0001	0.31148 <.0001
cf	0.76043 <.0001	0.87638 <.0001	0.16077 <.0001	0.23913 <.0001	0.23743 <.0001	0.30507 <.0001	0.36405 <.0001
cf2	0.81469 <.0001	0.88559 <.0001	0.09219 0.0003	0.15364 <.0001	0.15076 <.0001	0.25553 <.0001	0.30139 <.0001

seq	0.09825 0.0001	0.15932 <.0001	0.69370 <.0001	0.87596 <.0001	0.90532 <.0001	0.15473 <.0001	0.23058 <.0001
seq2	0.08987 0.0004	0.13163 <.0001	0.66621 <.0001	0.82162 <.0001	0.78674 <.0001	0.13790 <.0001	0.19137 <.0001
cv	0.16506 <.0001	0.18282 <.0001	0.55461 <.0001	0.19100 <.0001	0.18223 <.0001	0.74541 <.0001	0.83552 <.0001
cv2	0.06795 0.0075	0.06240 0.0142	0.51876 <.0001	0.08066 0.0015	0.08071 0.0015	0.63543 <.0001	0.65845 <.0001
spr	0.83878 <.0001	0.68869 <.0001	0.18067 <.0001	0.33717 <.0001	0.26093 <.0001	0.46601 <.0001	0.40827 <.0001
spr2	0.87188 <.0001	0.61506 <.0001	0.08079 0.0015	0.18874 <.0001	0.13071 <.0001	0.35949 <.0001	0.25401 <.0001
dp	0.58187 <.0001	0.78335 <.0001	0.20947 <.0001	0.32672 <.0001	0.38317 <.0001	0.31686 <.0001	0.44138 <.0001
dp2	0.60305 <.0001	0.81149 <.0001	0.17402 <.0001	0.29373 <.0001	0.35092 <.0001	0.26537 <.0001	0.37635 <.0001
dens	-0.03714 0.1446	0.04007 0.1154	-0.06619 0.0093	-0.05400 0.0338	-0.05424 0.0330	-0.08604 0.0007	-0.09355 0.0002
dens2	-0.03764 0.1392	0.01851 0.4673	-0.06483 0.0108	-0.06514 0.0104	-0.07029 0.0057	-0.07627 0.0027	-0.08816 0.0005

Equation 3 Correlation Matrix, Continued

Pearson Correlation Coefficients, N = 1545
Prob > |r| under H0: Rho=0

	spdp	ldns	fdns	sdns	cdns	spdns	dpdns
let	0.74563 <.0001	0.44526 <.0001	0.37355 <.0001	0.09983 <.0001	0.04385 0.0849	0.34438 <.0001	0.31718 <.0001
let2	0.74105 <.0001	0.42842 <.0001	0.33148 <.0001	0.04144 0.1034	0.04421 0.0824	0.30439 <.0001	0.26802 <.0001
cf	0.60016 <.0001	0.23950 <.0001	0.39163 <.0001	0.06824 0.0073	-0.00465 0.8550	0.23434 <.0001	0.17413 <.0001
cf2	0.59223 <.0001	0.18169 <.0001	0.31685 <.0001	0.01746 0.4927	-0.01887 0.4585	0.17948 <.0001	0.11529 <.0001
seq	0.14813 <.0001	-0.01778 0.4849	-0.01127 0.6582	0.64288 <.0001	0.00394 0.8771	0.02283 0.3698	-0.01718 0.4997
seq2	0.13413 <.0001	-0.00526 0.8364	-0.00058 0.9817	0.46915 <.0001	0.01037 0.6839	0.01796 0.4805	-0.00609 0.8109
cv	0.17760 <.0001	-0.01419 0.5773	-0.03659 0.1505	0.03352 0.1879	0.65026 <.0001	-0.01444 0.5705	-0.06565 0.0098
cv2	0.08203 0.0013	0.00376 0.8827	-0.00330 0.8969	0.03124 0.2197	0.60310 <.0001	0.02230 0.3810	-0.01457 0.5672
spr	0.91603 <.0001	0.16606 <.0001	0.17714 <.0001	0.09353 0.0002	-0.00432 0.8653	0.37568 <.0001	0.16395 <.0001
spr2	0.88971 <.0001	0.11199 <.0001	0.12180 <.0001	0.01473 0.5629	-0.01643 0.5188	0.26480 <.0001	0.09183 0.0003
dp	0.77870 <.0001	0.41075 <.0001	0.37137 <.0001	0.13696 <.0001	-0.02006 0.4308	0.44082 <.0001	0.47676 <.0001
dp2	0.81774 <.0001	0.45340 <.0001	0.41249 <.0001	0.09255 0.0003	-0.01023 0.6880	0.49066 <.0001	0.53973 <.0001
dens	0.01535	0.69032	0.70751	0.28107	0.28538	0.68255	0.73278

	0.5465	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
dens2	0.00159	0.58061	0.62367	0.17607	0.18381	0.55495	0.62939
	0.9503	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001

(b) Relevant issues for determining the inclusion or exclusion of variables include the following: whether the variables are drivers of delivery time (i.e., relevant to the explanation of the equation), whether the exclusion of the variables will create bias, whether there are statistical problems that need to be addressed, and whether the correct function form has been specified.

Whether the variables are justified by economic theory and are drivers of delivery time (i.e., relevant to the explanation of the equation): I discuss the density variable as related to economic theory in my response to question 2(c) of POIR No. 25. My comments in this response are focused on the cross-product variables. Based on Postal Service testimony, it appears that there is interaction in handling procedures by city carriers in delivering the various types of mail--letters, flats, sequenced mail, etc. For example, casual observation in the field shows that a bundle of mail and possibly a small parcel will be wrapped in a flat for insertion, while sequenced mail will be handled separately. The carrier's actions in delivering DPS letters and cased flats and letters appear to be related to the handling of sequenced mail. Accordingly, it appears that interaction terms are drivers of carrier time and should be retained if one is modeling delivery time as a function of the shapes. However, there has been some consideration of modeling the delivery process in terms of three major bundles—(1)DPS, (2) Cased Mail, and (3) Sequenced Mail. Collection volumes are modeled in the same equation as the three bundles. Accountables and large parcels are separately estimated in an

additional equation. For the current modeling effort, I believe that, in general, the full quadratic is the appropriate approach.

Whether the exclusion of the variables will create bias: The exclusion of a variable that is a driver would create a bias in the estimation effort. However, in the case of a variable strongly correlated with another variable, not much additional information is imparted by the variable's use. Although one would wish to use the cross-product terms to capture interactions among types of mail during the delivery process, in the case of the cross-products involving "spr," it is clear that substantial correlation may permit the dropping of cross-product variables related to "spr".

Whether there are statistical problems that need to be addressed: There appears to be a substantial collinearity problem in the estimation process, and this process appears to be exacerbated by the use of cross-product variables as well as squared variables. It appears that collinearity has had a substantial negative impact on the estimation process; as a practical matter one could advocate the dropping of cross products in order to address collinearity. The use of time series data over a time period substantially longer than that used by witness Bradley should help to reduce high Variance Inflation Factors (VIF)resulting from multicollinearity . In the case of small packages, it appears that the cross-product terms cause a VIF problem in the case of the "spr" variable; if additional data over a longer time period cannot be used, the "spr" variables are logical candidates for being dropped. However, the record contains no discussion of the dropping of cross products as related to the estimation of flexible functional forms. Furthermore, from an empirical viewpoint, the dropping of the "spr"

variable appears to be inappropriate. Accordingly, one is faced with a tradeoff between solving estimation problems versus maintaining a general model

Whether the correct function form has been specified: The advantages of a flexible functional form have been documented. However, the choice of the specific flexible functional form of the many available functional forms has not been fully explored. Alternatively, in a small computational neighborhood, functions can be adequately specified in simple linear terms, another issue which has not been explored. Clearly a simple linear form is, in general, inadequate; whether this is true within the ranges of the variables has not been examined.

In conclusion, my opinion is that additional research will substantiate the use of the three-bundle approach, that collinearity and its resulting problems could be reduced through the use of a data set extending over a longer period of time, and that from a theoretical viewpoint all cross products should be retained in the current model. However, from an estimation viewpoint a strong case can be made for the dropping of the "spr" based cross-product terms, recognizing that one might not then have a flexible functional form.

2. In "Response of Postal Service Witness Bradley to POIR No. 9, Question 11," witness Bradley reported the results of selectively removing the terms that interacted with the small parcels variable.

a. Please run the full quadratic models reported in CC2A and CC3A (in Table 1 of OCA-T-3), but drop those interaction terms that interact with the small parcels variable.

b. Please report the t-values and standard deviations of the marginal time estimates obtained using the specification requested in 2a.

c. Please provide your opinion of the relative merits of these models, your proposed CC6B model (in Table 1 of OCA-T-3), and the model proposed by the Postal Service and employed by the Commission in R2005-1.

d. For these procedures, please provide the SAS log and output, or other appropriate outputs.

RESPONSE

(a) The programs and outputs may be found in Library Reference OCA-LR-L-10 in the files Eq2DropSPR and Eq3DropSpr.

(b) The t values and standard deviations are in the SAS output.

(b) It is not unusual to develop equations based on the ad-hoc selection of variables; there are numerous examples of ad-hoc estimation efforts in the Operations Research literature, and the equations have in many cases met the needs for which they were developed. Ad-hoc specification is not necessarily bad, even though the equations are not directly consistent with economic theory.

In the current proceeding, however, I have criticized the use of the density variable, based on my understanding of microeconomic theory. I believe that the variable is of an ad-hoc nature; a derivation of the cost function resulting in the inclusion of density could

show me to be wrong. However, I have not yet seen such a derivation. In fact, the information that I have seen leads me to conclude that the use of the density variable is incorrect.

Michael Intriligator,[1] noting that "The modern approach to the theory of the firm is based on the concept of duality...." outlines the variables used in a production function (Equation 8.2.1), cost function (Equation 8.2.57), cost curve (Equation 8.2.14), and factor demand function (Equation 8.2.28). The density variable does not have the characteristics of any of the variables referenced by Intriligator in any of the functions cited. It does not represent output, factor prices, or product prices. Rather, the density variable appears to measure delivery characteristics that are subsumed in some type of maximization or adjustment process for efficient City Carrier delivery; the process is then modeled by an equation with the economically relevant variables.

The use of the density variable is inappropriate. However, if one is committed to the use of the density variable, then it should be computed correctly. As I have indicated on page 7 of my testimony (OCA-T-3), density is not correctly computed in witness Bradley's model. This problem is evident from the response given by witness Bradley to interrogatory OCA/USPS-T14-2 (Tr. 13/3788-89). To be specific, it appears that density for a ZIP code as computed by witness Bradley is a function of the number of routes reporting deliveries in a given ZIP code. Accordingly, the total number of delivery points, presumably indicative of area congestion and/or other physical layout, does not appear to be correctly delineated in the density computations. The computational problems are outlined in the interrogatory. I do not believe that witness

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[1] Michael D. Intriligator, Ronald G. Bodkin, and Cheng Hsiao, *Econometric Models, Techniques, and Applications*, Prentice Hall, 1996; the partial quote is on page 283.

Bradley's answer accurately refutes or clarifies the problem. I view his density variable to be incorrect as computed. As computed by witness Bradley, density appears to measure route coverage and volume, not density. Accordingly, I view both forms of Equation CC1 (witness Bradley advocated equation CC1B) and equation CC2 as incorrect.

Although use of the density variable appears to be incorrect, it should be noted that many of the characteristics that the variable allegedly captures are also captured by the delivery points variable when the variable is disaggregated. The disaggregation of the delivery points variable yields statistically meaningful results.

I analyzed the effects of dropping the cross-product terms involving the "spr" variable. In the case of the full quadratic for CC3A, there was a negative sign for small packages as originally reported in my testimony. The sign problem vanishes when the model is rerun with the elimination of the cross-product terms associated with "spr," and the Variance Inflation Factors are substantially decreased. Insofar as data are available on collection volume, CC3A is superior to both versions of CC6 The reason CC6 was run was to examine the effect of the elimination of collection volume, the variable not being available in DOIS. Accordingly, CC3A with "spr" cross products removed is a (limited) full quadratic with marginal costs that appear to comport with what one would expect. Assuming that one chooses not to use the three bundle approach, this model appears to be superior to witness Bradley's model, being more of a full quadratic, having more reasonable marginal cost relationships, and not being burdened with an incorrectly specified density variable. Whether the modified CC3A model would apply in today's environment, given the increased use of DPS mail (leading to the consideration

that the three bundle approach may be more reasonable as a model of City Carrier costs), is not clear.

Based on the existing dataset and operating procedures in use in 2002, the CC3A equation modified to remove "spr" cross products appears to be preferable to the equation advocated by witness Bradley in modeling City Carrier delivery in terms of letters, flats, etc. I have not, however, specifically addressed parcels and accountables, because I view witness Bradley's estimation as irrelevant. Clearly, all time for the delivery of large parcels and accountables should be attributable; this has been demonstrated by the Postal Service's ability to specifically and separately time and measure the activity. If the accountables and large parcels were not delivered, then there would be no time measured; the Postal Service knows from the database exactly how much time is spent in delivering large parcels and accountables. Accordingly, the estimation procedures for Parcels and Accountables are irrelevant.

(d) The information is in the files Eq2DropSPR and Eq3DropSpr in OCA-LR-L-10.

R2006-1

Time Warner Inc.

Robert W. Mitchell
(TW-T-1)

REVISED RESPONSE OF TIME WARNER WITNESS MITCHELL (TW-T-1) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 18 a (part 1 of 2)

QUESTION:

Please refer to Time Warner witness Mitchell's workpaper 'Wp Mitchell-3F-06.xls,' worksheet 'tybr-4.'

a. Please provide billing determinants and estimates of test year after-rates volumes and revenues for each of the rate categories (existing and new) proposed. Provide them separately for Regular Rate, Nonprofit, and Classroom Periodicals.

RESPONSE:

a. Time Warner Library Reference No. 5 Revised, TW-LR-5 Revised, contains three revised spreadsheets, WP-Mitchell-5-06-rev.xls, PieceVolumes(3)-rev.xls, and R2006Volumes-rev.xls. These three sheets cover all rate design elements. File WP-Mitchell-5-06-rev is a replacement in its entirety for my original workpaper WP-Michell-3F-06 (contained in TW-LR-1) and for file WP-Mitchell-5-06 (contained in the original version of TW-LR-5, filed on October 19 2006). File PieceVolumes(3)-rev is a reference file containing piece, bundle, and container counts. In WP-Mitchell-5-06-rev: sheet 'tybr-4' contains a full set of TYBR billing determinants for the Outside County subclass and the categories of Regular, Nonprofit, and Classroom; sheet 'Fcst-2' shows the development of the tyar/tybr volume ratios; and sheet 'tyar-1' provides TYAR billing determinants and revenues for the Outside County subclass and the categories of Regular, Nonprofit, and Classroom. As in my original workpaper, sheet 'Rates' contains the rate schedule with the proposed rates.

R2006-1

Time Warner Inc.

Halstein Stralberg
(TW-T-2)

REVISED RESPONSE OF WITNESS HALSTEIN STRALBERG TO POIR NO. 19

POIR 19 The United States Postal Service; Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers; and Time Warner Inc. are requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for changes in rates and fees. In order to facilitate inclusion of the required material in the evidentiary record, participants are to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearing. Answers from the Post Service are to be provided by October 16, 2006. Answers from Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers; and Time Warner Inc. are to be provided by October 23, 2006.

In this proceeding Postal Service witness Tang, Time Warner witness Mitchell, and MPA-ANM witness Glick have made Outside County rate proposals. The Commission seeks to develop as complete a record as possible concerning each of these Outside County rate proposals.

During the August 10, 2006, hearing the Presiding Officer requested that witness Tang provide any additional information concerning small publications developed since the conclusion of Docket No. C2004-1.[1] On August 17, 2006, witness Tang responded to the request by providing percentage increases resulting from her Outside County rate proposals for each of the 251 periodicals in her C2004-1 database.[2] On September 6, 2006, MPA-ANM filed MPA/ANM-LR-3, witness Tang's C2004-1 database, under protective conditions established in Presiding Officer's Ruling No. R2006-1/51.[3]

On September 21, 2006, Time Warner requested that witness Tang update her C2004-1 database to include data since the inception of the 24-piece sack minimum and calculate the percentage changes resulting from her Outside County rate proposal using the updated information. In addition, Time Warner requested that witness Tang calculate the changes resulting from the Outside County rate proposals of witnesses Mitchell and Glick and provide a comparison of current rates, her proposed rates, and the rates proposed by Time Warner witness Mitchell and MPA-ANM witness Glick.[4] The Postal Service objected to this interrogatory on September 26, 2006.[5] The objection focused, in part, on the burden involved in developing a new, representative sample.

The Commission requests that the Postal Service provide, under the protective conditions established in Presiding Officer's Ruling No. R2006-1/51, a version of MPA-ANM-LR-3

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[1] Tr. 7/1883-87.

[2] Response of United States Postal Service Witness Tang to Question Posed by Chairman Omas at the August 10, 2006 Hearing, August 17, 2006.

[3] Notice of Alliance of Nonprofit Mailers and Magazine Publishers of America, Inc., of Filing of Library Reference MPA/ANM-LR-3, Protected Material, September 6, 2006.

[4] TW/USPS-T35-13.

[5] Objection of the United States Postal Service to Interrogatories of Time Warner Inc. to Postal Service Witness Tang (TW/USPS-T35-11-13), September 26, 2006.

composed of data from as many of the same 251 publications as are currently mailing. This new data should reflect mailings sent after the 24-piece sack minimum became effective.[6]

The Commission further requests that the Postal Service provide a table comparing the percentage changes from current postage to its Outside County rate proposals based on these new, more recent mailings.

After the Postal Service provides more recent data on the 251 publications, the Commission requests that Time Warner and MPA-ANM provide calculations of the percentage changes of their respective proposals on the 251 publications using these more recent data.

Introduction to Revised Response, 11-17-2006.

On November 14 Time Warner filed a revision to witness Mitchell's rate proposal.[7] This requires that I also revise my answers to POIR 19, originally filed on November 2, which applied those rates to 259 publications, based on data provided by the Postal Service.

My original answer to POIR 19 on behalf of Time Warner was summarized in two tables, *labeled Table 1 and Table 2, where Table 2 showed the estimated percent rate* increase, both under witness Tang's and under witness Mitchell's proposed rates, for 259 publications.

My revised answers, applying the revisions in witness Mitchell's rate proposal, are correspondingly shown below in the revised Tables 1 and 2. *I have changed slightly the* format of Table 2, as follows:

- Instead of simply specifying the size stratum a publication belongs to, the revised table also classifies the publication as either high density (HD) or low density (LD), consistent with the designation provided in the Postal Service's response to POIR 19. Thus, for example, the designation VS (very small) in my original answer is replaced by either VS HD or VS LD.

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[6] If more recent data for any of the 251 publications is not available, the Postal Service may substitute data for a similar publication.

[7] *See* Revised Response of Time Warner Inc. Witness Mitchell to POIR No. 18, Item A, Part 1 of 2 (Errata), filed November 14, 2006; and Notice of Time Warner Inc. of Filing Library Reference TW-LR-5 Revised (Errata), filed November 14, 2006.

- Instead of classifying a publication simply as machinable (M) or non-machinable (NM), the new table specifies the percent of the sampled pieces for the given publication that were identified by the Postal Service as machinable.

The revised format thus conveys slightly more information about each publication.

As can be seen by comparing the revised Table 2 with the original version, the percent impact on each publication did not change much. However, the number of publications that would do better under Mitchell's proposed rates than under those proposed by Tang, increased from 98 to 100.

The highest and lowest percent increases were 59.1% and minus 7.6% in my original response. They are now 58.5% and minus 6%. The number of publications whose postage would actually decrease was 4 but is now 5, while the number of publications whose postage would increase by more than 20% has dropped from 79 to 77.

Revised Response:

The latest version of the Postal Service's response to POIR No. 19 was filed under protective conditions, as LR-L-189 Revised, on October 31. It contains data on 259 publications, including 87 identified as "RPL," indicating replacements of the originally sampled publications used by witness Tang in Docket No. C2004-1. I will refer to them simply by publication number, i.e., publication 1 through 259.[8]

Table 2 at the end of this response provides my estimates of the per-piece postage each of the publications, assuming no change in mail piece characteristics or mail preparation, would pay under the rates proposed by Time Warner witness Mitchell, and compares those rates with current rates and the rates proposed by witness Tang.

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[8] The numbering scheme I use is the same as that used by witness Glick in his response on behalf of MPA/ANM. It can also be described as follows, referring to the final version of the spreadsheet contained in LR-L-89. Publications No 1 through 158 are those identified in rows 10 through 167 on worksheet 'eVS,' and publications 159 through 259 are those in rows 10 through 110 on worksheet 'Sample.'

The Time Warner rate proposal recognizes flats machinability as a major cost driver, while current rates and the alternative rates proposed in this docket do not. As a result, flats machinability has a major impact on the comparison between Time Warner's proposed rates and other rate proposals. Table 2 shows the percent of pieces for each publication that are identified as machinable in LR-L-189.

The publications in LR-L-189 are shown as belonging to three different strata based on circulation size, where those with mailed circulation over 100,000 are called large (LG), those with circulation between 15,000 and 100,000 are called medium (MD) and those with less than 15,000 in mailed circulation are called small (SM). This corresponds to the original size stratification used by Tang in C2004-1. Towards the end of that docket, however, Tang was asked by the presiding officer to provide additional information about the smallest publications, those with circulation much smaller than 15,000. The information provided in response to that request revealed that over 15,000 publications, more than half of all registered Periodicals, have circulation size under 1,000, and that the median circulation size among those is only 224.[9]

Because of the large number of such very small publications, and the Commission's expressed concern about the impact of any rate proposal on such publications, I have identified, in Table 2, the 42 publications with circulation size below 1,000 as belonging to a separate size stratum, labeled VS (very small).

Since the Time Warner proposal identifies several new cost drivers not previously used in Periodicals rate design, it was to be expected that it would result in somewhat wider differences in percent increases among publications, relative to current rates, than the more conventional rate proposal presented by Tang. While the impact on most publications of Time Warner's rate proposal differs only by a few percentage points from the impact of Tang's rates, for some the difference is considerably greater.

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[9] *See* Docket No. C2004-1, Response of Time Warner Inc. Et Al. to Notice of Inquiry No. 1 ("Comments of Time Warner Inc. Et Al. Witness Halstein Stralberg on the Characteristics of Very Small Periodicals"), filed December 8, 2004, at 1.

Table 1 below summarizes the comparison of the impact of Tang's and Time Warner's rate proposals on publications in LR-L-189 by size and machinability category. Overall, Tang's proposal would lead to the larger percent increase for 100 and Time Warner's for 159 of those publications.

Table 1: Summary Comparison Of Impact Of Alternative Rate Schedules On Sampled Publications – Revised 11-17-2006

Size (Mailed circulation)	Machinable?	Largest Increase?		Total
		Tang	Mitchell	
LG (>100K)	Yes	25	21	46
	No	1	5	6
MD (>15K, <100k)	Yes	26	46	72
	No	2	26	28
SM (>1K, <15K)	Yes	19	35	54
	No	1	10	11
VS (<1K)	Yes	26	4	30
	No	0	12	12
Total:		100	159	259

Among the categories of publications identified in Table 1, it appears that very small publications (circulation below 1,000) that are machinable would fare considerably better under Time Warner's rates than under those proposed by Tang. As the table shows, 26 of the 30 machinable very small publications in LR-L-189 would do better under the TW rates, only four would do worse. For a few of the 26, postage would even decrease under the TW proposal. For those that are non-machinable, on the other hand, postage would increase more, in some cases much more, under the TW proposal.

In LR-L-189, twelve of the 42 very small publications, or 28.6%, are identified as non-machinable. However, this percentage is not likely to reflect accurately the characteristics of very small publications. Based on data from the more comprehensive survey described in LR-L-91, particularly the data provided by witness Loetscher in response to Time Warner interrogatories, it can be determined that only about six or seven percent of publications with circulation under 1,000 are non-machinable.[10] It

[10] See Table 15 in witness Loetscher's response to TW/USPS-T28-11 (Tr. 7/1519).

therefore appears that a large majority of very small publications in fact would do better under Time Warner's proposed rates.

LR-L-189 identifies 85 of the publications as being "comailed." It identifies none of them as co-palletized. I suspect, however, that many of the publications identified as comailed are in fact only co-palletized. For this reason I did not attempt to use LR-L-189 as a basis for analyzing the different impact on comailed and other publications of the two rate proposals.[11]

The calculations I used to derive the results presented in Tables 1 and 2 are included in Time Warner library reference 6, which is a modified version of the spreadsheet contained in USPS LR-L-189.

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[11] Some of the publications identified as "comailed" are also identified as non-machinable. A comailer is a machine. It is possible that some such machines could be able to process publications that are not machinable on AFSM-100 flats sorting machines, but the only case I am aware of is that RR Donnelly recently announced that it would begin to offer comailing services for tabloid size publications.

Table 2: Per-Piece Postage & Rate Increases For LR-L-189 Periodicals Under Alternative Rate Proposals – Revised 11-17-2006

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
1	LG HD	100%	$0.3571	$0.3890	$0.3816	8.92%	6.86%
2	LG HD	100%	$0.1750	$0.1980	$0.1823	13.15%	4.19%
3	LG HD	100%	$0.2865	$0.3008	$0.2967	4.99%	3.56%
4	LG HD	9%	$0.3022	$0.3248	$0.3213	7.49%	6.32%
5	LG HD	100%	$0.2298	$0.2555	$0.2459	11.18%	7.02%
6	LG HD	100%	$0.2927	$0.3195	$0.3071	9.16%	4.94%
7	LG HD	100%	$0.3446	$0.3756	$0.3713	8.98%	7.74%
8	LG HD	100%	$0.2647	$0.2900	$0.2784	9.57%	5.19%
9	LG HD	47%	$0.4616	$0.4985	$0.5117	7.98%	10.84%
10	LG HD	100%	$0.2663	$0.2896	$0.2888	8.77%	8.45%
11	LG HD	100%	$0.2524	$0.2783	$0.2648	10.26%	4.93%
12	LG HD	75%	$0.4208	$0.4531	$0.4695	7.69%	11.58%
13	LG HD	100%	$0.1447	$0.1634	$0.1501	12.90%	3.73%
14	LG HD	95%	$0.2570	$0.2827	$0.2703	9.99%	5.17%
15	LG HD	100%	$0.2723	$0.3041	$0.3116	11.68%	14.40%
16	LG HD	100%	$0.1985	$0.2243	$0.2196	13.01%	10.66%
17	LG HD	100%	$0.3407	$0.3737	$0.3807	9.68%	11.75%
18	LG HD	100%	$0.2451	$0.2706	$0.2671	10.41%	8.95%
19	LG HD	100%	$0.2061	$0.2287	$0.2133	10.98%	3.49%
20	LG HD	90%	$0.2833	$0.3108	$0.3143	9.70%	10.95%
21	LG HD	100%	$0.5709	$0.6109	$0.6107	7.00%	6.98%
22	LG HD	100%	$0.1331	$0.1588	$0.1349	19.30%	1.29%
23	LG HD	14%	$0.4207	$0.4618	$0.5031	9.77%	19.59%
24	LG HD	99%	$0.3341	$0.3674	$0.3720	9.98%	11.35%
25	LG HD	100%	$0.2640	$0.2923	$0.2989	10.73%	13.24%
26	LG HD	100%	$0.1588	$0.1820	$0.1591	14.56%	0.15%
27	LG HD	64%	$0.4581	$0.4952	$0.5197	8.08%	13.44%
28	LG HD	100%	$0.2770	$0.3065	$0.3136	10.65%	13.19%
29	LG HD	100%	$0.2407	$0.2673	$0.2679	11.03%	11.30%
30	LG HD	100%	$0.3060	$0.3340	$0.3204	9.17%	4.72%
31	LG HD	6%	$0.5879	$0.6344	$0.6780	7.91%	15.33%
32	LG HD	100%	$0.2314	$0.2561	$0.2551	10.65%	10.24%
33	LG HD	100%	$0.2680	$0.2965	$0.2937	10.63%	9.60%
34	LG HD	100%	$0.1732	$0.1959	$0.1900	13.10%	9.66%
35	LG HD	100%	$0.2967	$0.3265	$0.3318	10.04%	11.84%
36	LG HD	100%	$0.1992	$0.2215	$0.2295	11.19%	15.18%
37	LG HD	100%	$0.2356	$0.2592	$0.2422	9.98%	2.77%
38	LG HD	100%	$0.2245	$0.2422	$0.2443	7.88%	8.84%
39	LG HD	0%	$0.2720	$0.3005	$0.3385	10.48%	24.47%
40	LG HD	100%	$0.3341	$0.3779	$0.3917	13.10%	17.22%
41	LG HD	28%	$0.4622	$0.5246	$0.5608	13.51%	21.32%
42	LG HD	100%	$0.2430	$0.2662	$0.2528	9.54%	4.00%
43	LG HD	100%	$0.3716	$0.4196	$0.4204	12.93%	13.15%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
44	LG HD	100%	$0.2713	$0.2989	$0.3093	10.19%	14.01%
45	LG HD	100%	$0.2597	$0.2836	$0.2848	9.20%	9.64%
46	LG HD	100%	$0.9163	$1.0490	$1.1107	14.48%	21.22%
47	LG HD	100%	$0.2463	$0.2705	$0.2542	9.85%	3.23%
48	LG HD	100%	$0.2168	$0.2408	$0.2365	11.08%	9.12%
49	LG HD	100%	$0.2465	$0.2758	$0.2822	11.91%	14.49%
50	LG HD	100%	$0.4307	$0.4851	$0.4883	12.64%	13.38%
51	LG LD	100%	$0.2575	$0.2852	$0.2864	10.75%	11.19%
52	LG LD	100%	$0.2686	$0.2960	$0.2980	10.21%	10.97%
53	MD HD	6%	$0.4561	$0.4964	$0.5519	8.84%	21.02%
54	MD HD	100%	$0.2544	$0.2794	$0.2727	9.83%	7.19%
55	MD HD	35%	$0.5515	$0.6143	$0.6620	11.37%	20.03%
56	MD HD	100%	$0.2525	$0.2792	$0.2780	10.60%	10.08%
57	MD HD	100%	$0.2973	$0.3303	$0.3405	11.12%	14.52%
58	MD HD	100%	$0.2606	$0.2855	$0.2709	9.55%	3.95%
59	MD HD	100%	$0.3860	$0.4155	$0.4166	7.64%	7.91%
60	MD HD	100%	$0.2353	$0.2654	$0.2780	12.76%	18.14%
61	MD HD	100%	$0.2585	$0.2871	$0.2833	11.06%	9.59%
62	MD HD	100%	$0.4116	$0.4605	$0.4713	11.89%	14.51%
63	MD HD	0%	$0.2182	$0.2466	$0.3218	12.99%	47.46%
64	MD HD	100%	$0.4205	$0.4515	$0.4457	7.38%	6.00%
65	MD HD	0%	$0.4046	$0.4534	$0.5163	12.05%	27.60%
66	MD HD	100%	$0.1763	$0.2005	$0.1890	13.74%	7.23%
67	MD HD	0%	$0.3196	$0.3525	$0.3919	10.28%	22.63%
68	MD HD	0%	$0.1974	$0.2223	$0.2201	12.64%	11.50%
69	MD HD	0%	$0.2154	$0.2378	$0.2467	10.42%	14.57%
70	MD HD	100%	$0.2170	$0.2453	$0.2547	13.01%	17.34%
71	MD HD	100%	$0.2470	$0.2719	$0.2686	10.07%	8.72%
72	MD HD	100%	$0.2290	$0.2496	$0.2508	8.98%	9.51%
73	MD HD	100%	$0.4431	$0.4914	$0.4917	10.89%	10.96%
74	MD HD	94%	$0.5569	$0.6030	$0.6093	8.27%	9.39%
75	MD HD	0%	$0.2760	$0.3086	$0.3529	11.82%	27.86%
76	MD HD	100%	$0.1941	$0.2115	$0.2119	8.93%	9.14%
77	MD HD	100%	$0.2027	$0.2217	$0.2236	9.38%	10.31%
78	MD HD	99%	$0.2255	$0.2496	$0.2479	10.68%	9.92%
79	MD HD	0%	$0.2850	$0.3162	$0.3598	10.94%	26.23%
80	MD HD	100%	$0.2806	$0.3126	$0.3175	11.42%	13.17%
81	MD HD	100%	$0.2342	$0.2606	$0.2578	11.26%	10.05%
82	MD HD	100%	$0.2292	$0.2521	$0.2547	9.99%	11.13%
83	MD HD	100%	$0.4397	$0.4722	$0.4688	7.39%	6.61%
84	MD HD	0%	$0.6428	$0.7321	$0.8035	13.90%	25.01%
85	MD HD	100%	$0.2834	$0.3200	$0.3317	12.92%	17.05%
86	MD HD	0%	$0.2867	$0.3181	$0.3563	10.95%	24.27%
87	MD HD	100%	$0.2489	$0.2717	$0.2682	9.17%	7.75%
88	MD HD	0%	$0.2877	$0.3161	$0.3543	9.89%	23.15%
89	MD HD	100%	$0.2309	$0.2638	$0.2789	14.20%	20.78%
90	MD HD	0%	$0.2560	$0.2848	$0.3126	11.26%	22.14%
91	MD HD	100%	$0.2363	$0.2623	$0.2607	10.99%	10.32%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
92	MD HD	29%	$0.5119	$0.6044	$0.6695	18.06%	30.78%
93	MD HD	100%	$0.2186	$0.2451	$0.2420	12.14%	10.70%
94	MD HD	100%	$0.2316	$0.2577	$0.2564	11.27%	10.67%
95	MD HD	100%	$0.2296	$0.2563	$0.2531	11.65%	10.22%
96	MD HD	100%	$0.2277	$0.2526	$0.2498	10.94%	9.72%
97	MD HD	100%	$0.4341	$0.4952	$0.5000	14.08%	15.20%
98	MD HD	100%	$0.4731	$0.5370	$0.5477	13.50%	15.77%
99	MD HD	100%	$0.2220	$0.2471	$0.2446	11.27%	10.18%
100	MD HD	100%	$0.2691	$0.3036	$0.3165	12.83%	17.64%
101	MD HD	0%	$0.2773	$0.3073	$0.3496	10.83%	26.06%
102	MD HD	0%	$0.4184	$0.4788	$0.5468	14.43%	30.68%
103	MD LD	100%	$0.4783	$0.5355	$0.5370	11.96%	12.29%
104	MD LD	100%	$0.2514	$0.2781	$0.2788	10.60%	10.89%
105	MD LD	0%	$0.6452	$0.7100	$0.7814	10.05%	21.11%
106	MD LD	0%	$0.2733	$0.3017	$0.3373	10.41%	23.44%
107	MD LD	100%	$0.3014	$0.3441	$0.3528	14.18%	17.07%
108	MD LD	100%	$0.4040	$0.4594	$0.4717	13.70%	16.76%
109	MD LD	100%	$0.2461	$0.2720	$0.2712	10.54%	10.19%
110	MD LD	0%	$0.3605	$0.4142	$0.5041	14.91%	39.84%
111	MD LD	100%	$0.2424	$0.2664	$0.2690	9.88%	10.97%
112	MD LD	100%	$0.3246	$0.3656	$0.3785	12.64%	16.61%
113	MD LD	100%	$0.2261	$0.2507	$0.2507	10.88%	10.88%
114	MD LD	0%	$0.6560	$0.7312	$0.8179	11.47%	24.68%
115	MD LD	0%	$0.4067	$0.4682	$0.4394	15.12%	8.04%
116	MD LD	0%	$0.2793	$0.3101	$0.3583	11.03%	28.30%
117	MD LD	100%	$0.2365	$0.2620	$0.2653	10.74%	12.14%
118	MD LD	100%	$0.2527	$0.2792	$0.2818	10.45%	11.49%
119	MD LD	0%	$0.2786	$0.3098	$0.3602	11.21%	29.28%
120	MD LD	0%	$0.4058	$0.4680	$0.5662	15.34%	39.54%
121	MD LD	0%	$0.3595	$0.4196	$0.5249	16.70%	46.01%
122	MD LD	100%	$0.2568	$0.2844	$0.2908	10.75%	13.25%
123	MD LD	0%	$0.4253	$0.4870	$0.5776	14.51%	35.81%
124	MD LD	100%	$0.2316	$0.2585	$0.2550	11.62%	10.10%
125	MD LD	100%	$0.2565	$0.2839	$0.2865	10.66%	11.67%
126	MD LD	100%	$0.3820	$0.4419	$0.4528	15.70%	18.54%
127	MD LD	100%	$0.2751	$0.3139	$0.3323	14.11%	20.80%
128	MD LD	100%	$0.3436	$0.3938	$0.4092	14.61%	19.09%
129	MD LD	100%	$0.2797	$0.3251	$0.3445	16.24%	23.17%
130	MD LD	0%	$0.4926	$0.5487	$0.5735	11.39%	16.42%
131	MD LD	100%	$0.2531	$0.2799	$0.2831	10.60%	11.88%
132	MD LD	100%	$0.2404	$0.2678	$0.2657	11.40%	10.50%
133	MD LD	100%	$0.2312	$0.2558	$0.2581	10.63%	11.62%
134	MD LD	100%	$0.3258	$0.3752	$0.3938	15.17%	20.86%
135	MD LD	100%	$0.2759	$0.3052	$0.3072	10.62%	11.36%
136	MD LD	100%	$0.1821	$0.2016	$0.2059	10.69%	13.05%
137	MD LD	99%	$0.2696	$0.2968	$0.3048	10.11%	13.07%
138	MD LD	100%	$0.4745	$0.5407	$0.5507	13.94%	16.05%
139	MD LD	100%	$0.2544	$0.2813	$0.2779	10.57%	9.25%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
140	MD LD	100%	$0.2302	$0.2560	$0.2519	11.23%	9.44%
141	MD LD	100%	$0.2686	$0.2960	$0.2981	10.22%	10.98%
142	MD LD	100%	$0.2674	$0.2940	$0.2997	9.94%	12.06%
143	MD LD	100%	$0.2255	$0.2525	$0.2500	11.94%	10.85%
144	MD LD	100%	$0.2474	$0.2732	$0.2699	10.41%	9.09%
145	MD LD	100%	$0.2448	$0.2679	$0.2652	9.42%	8.31%
146	MD LD	100%	$0.2372	$0.2624	$0.2640	10.64%	11.32%
147	MD LD	100%	$0.2224	$0.2474	$0.2441	11.26%	9.79%
148	MD LD	100%	$0.2237	$0.2432	$0.2459	8.69%	9.90%
149	MD LD	100%	$0.3510	$0.3854	$0.3981	9.81%	13.43%
150	MD LD	100%	$0.2550	$0.2820	$0.2846	10.58%	11.60%
151	MD LD	100%	$0.2613	$0.2867	$0.2943	9.71%	12.65%
152	MD LD	0%	$0.3332	$0.3814	$0.4646	14.44%	39.42%
153	SM HD	100%	$0.2460	$0.2659	$0.2627	8.13%	6.79%
154	SM HD	100%	$0.3769	$0.4373	$0.3977	16.01%	5.52%
155	SM HD	100%	$0.4214	$0.4932	$0.4511	17.05%	7.05%
156	SM LD	100%	$0.2999	$0.3566	$0.3792	18.90%	26.45%
157	SM LD	100%	$0.4095	$0.4665	$0.4678	13.91%	14.24%
158	SM LD	0%	$0.6645	$0.7529	$0.7854	13.30%	18.19%
159	SM HD	100%	$0.2808	$0.3129	$0.2941	11.45%	4.75%
160	SM HD	100%	$0.2263	$0.2526	$0.2508	11.62%	10.84%
161	SM HD	100%	$0.3361	$0.3881	$0.4051	15.48%	20.53%
162	SM HD	100%	$0.1751	$0.1992	$0.1923	13.75%	9.82%
163	SM HD	100%	$0.3311	$0.3830	$0.4011	15.67%	21.14%
164	SM HD	100%	$0.2157	$0.2412	$0.2359	11.79%	9.35%
165	SM HD	100%	$0.2142	$0.2420	$0.2548	13.00%	18.99%
166	SM HD	100%	$0.3237	$0.3792	$0.3937	17.14%	21.62%
167	SM HD	0%	$0.6914	$0.8003	$0.8926	15.74%	29.10%
168	SM HD	100%	$0.1462	$0.1641	$0.1581	12.22%	8.16%
169	SM HD	0%	$0.7171	$0.8373	$0.9916	16.76%	38.28%
170	SM HD	100%	$0.2329	$0.2668	$0.2667	14.53%	14.50%
171	SM HD	100%	$0.3663	$0.4426	$0.4691	20.84%	28.08%
172	SM HD	100%	$0.2790	$0.3229	$0.3448	15.75%	23.57%
173	SM HD	100%	$0.1696	$0.1924	$0.2123	13.44%	25.18%
174	SM HD	100%	$0.2420	$0.2730	$0.2727	12.82%	12.68%
175	SM HD	100%	$0.2518	$0.2861	$0.3046	13.64%	20.95%
176	SM HD	100%	$0.1958	$0.2253	$0.2366	15.05%	20.82%
177	SM HD	0%	$0.7049	$0.7971	$0.8398	13.08%	19.14%
178	SM HD	100%	$0.1835	$0.1992	$0.1975	8.55%	7.59%
179	SM HD	100%	$0.3022	$0.3534	$0.3625	16.95%	19.96%
180	SM HD	0%	$0.5298	$0.5782	$0.5568	9.15%	5.09%
181	SM HD	0%	$0.6094	$0.7322	$0.7981	20.14%	30.95%
182	SM HD	100%	$0.2183	$0.2349	$0.2269	7.62%	3.93%
183	SM HD	100%	$0.3714	$0.4336	$0.4295	16.75%	15.64%
184	SM HD	100%	$0.2162	$0.2476	$0.2760	14.50%	27.65%
185	SM HD	100%	$0.2536	$0.2948	$0.2960	16.24%	16.71%
186	SM HD	100%	$0.2638	$0.3008	$0.3229	14.02%	22.39%
187	SM HD	100%	$0.2400	$0.2718	$0.2777	13.26%	15.70%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
188	SM HD	100%	$0.2313	$0.2785	$0.3161	20.39%	36.66%
189	SM HD	0%	$0.3110	$0.3548	$0.4101	14.09%	31.88%
190	SM HD	100%	$0.4226	$0.4861	$0.4629	15.03%	9.54%
191	SM HD	100%	$0.2738	$0.3183	$0.3302	16.25%	20.59%
192	SM HD	100%	$0.2709	$0.3126	$0.3339	15.38%	23.28%
193	SM HD	100%	$0.2996	$0.3538	$0.3546	18.10%	18.35%
194	VS HD	100%	$0.2387	$0.2790	$0.3129	16.84%	31.06%
195	VS HD	100%	$0.4422	$0.5030	$0.4563	13.75%	3.19%
196	VS HD	0%	$0.3033	$0.3597	$0.4408	18.58%	45.33%
197	VS HD	100%	$0.4118	$0.4807	$0.5150	16.73%	25.07%
198	VS HD	100%	$0.3046	$0.3451	$0.2863	13.30%	-5.99%
199	VS HD	0%	$0.6878	$0.8308	$0.9656	20.80%	40.39%
200	VS HD	100%	$0.3300	$0.3699	$0.3323	12.10%	0.71%
201	VS HD	100%	$0.2503	$0.2969	$0.3242	18.62%	29.56%
202	VS HD	0%	$0.3489	$0.4008	$0.4640	14.88%	32.97%
203	VS HD	100%	$0.2950	$0.3378	$0.3292	14.53%	11.61%
204	VS HD	0%	$0.2162	$0.2566	$0.3102	18.69%	43.48%
205	VS HD	0%	$0.3671	$0.4388	$0.5820	19.52%	58.53%
206	VS HD	100%	$0.3712	$0.4429	$0.4016	19.33%	8.20%
207	VS HD	0%	$0.3037	$0.3531	$0.3995	16.26%	31.54%
208	VS HD	0%	$0.3246	$0.3808	$0.4447	17.33%	37.00%
209	VS HD	100%	$0.2869	$0.3705	$0.3568	29.14%	24.37%
210	VS HD	0%	$0.3359	$0.3980	$0.4646	18.50%	38.32%
211	SM LD	100%	$0.2565	$0.2985	$0.3185	16.36%	24.19%
212	SM LD	100%	$0.4068	$0.4642	$0.4722	14.12%	16.10%
213	SM LD	100%	$0.2964	$0.3421	$0.3595	15.42%	21.29%
214	SM LD	100%	$0.2836	$0.3290	$0.3369	16.02%	18.81%
215	SM LD	100%	$0.6218	$0.7043	$0.6795	13.28%	9.29%
216	SM LD	100%	$0.4154	$0.4846	$0.5014	16.67%	20.73%
217	SM LD	100%	$0.4252	$0.4905	$0.4992	15.38%	17.42%
218	SM LD	100%	$0.3361	$0.3924	$0.4057	16.75%	20.71%
219	SM LD	100%	$0.4368	$0.5096	$0.5168	16.68%	18.32%
220	SM LD	100%	$0.2886	$0.3366	$0.3547	16.61%	22.89%
221	SM LD	100%	$0.4023	$0.4640	$0.4734	15.34%	17.67%
222	SM LD	100%	$0.8377	$0.9434	$0.9206	12.62%	9.89%
223	SM LD	100%	$0.3086	$0.3458	$0.3518	12.07%	14.00%
224	SM LD	100%	$0.4566	$0.5166	$0.5123	13.14%	12.19%
225	SM LD	100%	$0.3374	$0.3940	$0.4024	16.78%	19.26%
226	SM LD	100%	$0.2972	$0.3509	$0.3558	18.08%	19.74%
227	SM LD	100%	$0.3953	$0.4574	$0.4449	15.70%	12.53%
228	SM LD	0%	$0.7731	$0.9208	$0.9735	19.11%	25.92%
229	SM LD	0%	$0.5194	$0.6121	$0.7022	17.86%	35.20%
230	SM LD	100%	$0.3547	$0.4145	$0.4193	16.86%	18.22%
231	SM LD	100%	$0.2565	$0.3040	$0.3139	18.54%	22.40%
232	SM LD	100%	$0.3145	$0.3706	$0.3623	17.85%	15.20%
233	SM LD	0%	$0.5883	$0.6865	$0.7413	16.69%	26.01%
234	SM LD	0%	$0.5931	$0.6914	$0.7505	16.57%	26.53%
235	VS LD	100%	$0.2550	$0.2974	$0.2946	16.61%	15.52%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
236	VS LD	100%	$0.3068	$0.3544	$0.3371	15.53%	9.91%
237	VS LD	100%	$0.3529	$0.3997	$0.3490	13.28%	-1.11%
238	VS LD	100%	$0.5202	$0.5782	$0.5206	11.14%	0.07%
239	VS LD	100%	$0.3689	$0.4178	$0.3819	13.25%	3.53%
240	VS LD	100%	$0.3526	$0.3963	$0.3525	12.39%	-0.02%
241	VS LD	0%	$0.3823	$0.4438	$0.5067	16.11%	32.55%
242	VS LD	100%	$0.5469	$0.6254	$0.5729	14.34%	4.75%
243	VS LD	100%	$0.6337	$0.7101	$0.6444	12.06%	1.70%
244	VS LD	100%	$0.3880	$0.4420	$0.3672	13.93%	-5.34%
245	VS LD	100%	$0.3540	$0.3968	$0.3690	12.10%	4.23%
246	VS LD	100%	$0.4554	$0.5192	$0.4655	14.00%	2.21%
247	VS LD	100%	$0.3998	$0.4642	$0.4095	16.12%	2.43%
248	VS LD	100%	$0.3617	$0.4232	$0.3765	17.01%	4.10%
249	VS LD	100%	$0.3671	$0.4329	$0.4032	17.92%	9.84%
250	VS LD	100%	$0.4156	$0.4819	$0.4210	15.94%	1.29%
251	VS LD	100%	$0.4219	$0.4893	$0.4577	15.97%	8.48%
252	VS LD	0%	$0.4379	$0.5100	$0.6229	16.45%	42.24%
253	VS LD	100%	$0.2426	$0.3077	$0.2934	26.83%	20.91%
254	VS LD	100%	$0.4388	$0.5203	$0.4942	18.57%	12.62%
255	VS LD	0%	$0.5172	$0.6164	$0.7384	19.18%	42.77%
256	VS LD	100%	$0.4961	$0.6037	$0.5858	21.68%	18.08%
257	VS LD	0%	$0.5927	$0.7002	$0.7663	18.14%	29.30%
258	VS LD	100%	$0.4528	$0.6508	$0.6625	43.73%	46.31%
259	VS LD	100%	$0.3130	$0.3867	$0.3099	23.54%	-1.01%

RESPONSE OF WITNESS HALSTEIN STRALBERG TO QUESTIONS POSED AT HEARING

Presented below are my answers to numerous questions posed orally by counsel for McGraw-Hill in the course of my November 8 cross-examination. The questions concerned my response to POIR 19 on behalf of Time Warner and the reasons why the impact of Time Warner's proposed Periodicals rates (in terms of percent postage increase assuming no change in mail characteristics, mail preparation or entry points) on various publications would be what I had estimated, why some publications would experience a higher percent increase than others, and what could be done to reduce the impact on those most adversely affected.

The Outside County rates proposed by Time Warner witness Mitchell were not designed to achieve specific results for specific types of publications. My role in preparing those rates was to identify all cost drivers relevant to the Postal Service's processing of flats and to determine unit costs and test year "billing determinant" data for all identified cost drivers. Mitchell used that information to design rates that correspond to the Postal Service's costs, reflecting Time Warner's belief that cost based rates will help reduce Periodicals costs and will, in the long run, benefit all users of the Periodicals class.

Even though Mitchell took several steps to mitigate the impact of a fully cost based rate structure, his rates do identify cost drivers previously not considered in Periodicals rates, while reducing some discounts in the current rates that far exceed (by up to 800%) the corresponding avoided costs. It is therefore not surprising that the impact on different publications would vary a great deal, or that it would vary more than the more traditional rate design approaches presented in this docket that retain more similarity with the current rates.

On the other hand, it is reasonable to ask, for example, what characteristics of a heavily impacted publication would cause it to pay much more under cost based rates, what changes such a publication might be able to make in order to reduce its costs, and what adjustments might be made, either in the proposed rate schedule itself or in the Postal

Service's subsequent implementation of it, to facilitate all mailers' adaptation to more cost-based rates. I will attempt to address those questions in the following.

Tables 1 and 2 will in the following refer to the tables so named in my revised response to POIR 19, filed November 17. For convenience, they are reproduced at the end of this response. All of the discussion and tables in this response are based on these revised tables and on TW-LR-6 REVISED (filed this date). However, unless expressly noted, the substance of this response is no different from what it would have been had there been no revisions to my response to POIR No. 19 subsequent to my hearing.

Table 3 lists the publications specifically mentioned by counsel for McGraw-Hill as being of particular interest. Counsel for McGraw-Hill's questions, however, also extended to all the 259 publications, including questions of why certain strata (e.g., high density and very small) appeared to be doing not as well under Time Warner's proposed rates as other strata (e.g., low density and very small), why medium sized publications in general seemed to be doing less well than both large and very small publications, etc.

It is not possible within the time available to address individually each of the 259 publications, or even the 40 listed in Table 3. Furthermore, the POIR 19 data provided by the Postal Service are under protective conditions and there are limits on how much detail I can provide about specific publications, particularly the larger ones, without enabling someone familiar with the industry to identify them. Instead, I have identified various factors that appear to have a strong impact on how much the postage for various publications would increase under the proposed rates. These factors are:

- Non-machinability;
- Reduction of excessive discount for pre-barcoding;
- Remaining skin sacks;
- Small, "high density" publications entered far from their destination; and
- Extensive use of firm bundles.

Table 3: Publications Specifically Mentioned by Counsel for McGraw-Hill

Publication Number	Stratum	Percent Machinable	Estimated Postage Increase	
			Tang	Mitchell
4	LG HD	9.27%	7.49%	6.32%
63	MD HD	0.00%	12.99%	47.46%
65	MD HD	0.00%	12.05%	27.60%
75	MD HD	0.00%	11.82%	27.86%
79	MD HD	0.00%	10.94%	26.23%
84	MD HD	0.00%	13.90%	25.01%
92	MD HD	28.73%	18.06%	30.78%
101	MD HD	0.00%	10.83%	26.06%
102	MD HD	0.00%	14.43%	30.68%
110	MD LD	0.00%	14.91%	39.84%
114	MD LD	0.00%	11.47%	24.68%
119	MD LD	0.00%	11.21%	29.28%
120	MD LD	0.00%	15.34%	39.54%
123	MD LD	0.00%	14.51%	35.81%
152	MD LD	0.00%	14.44%	39.42%
156	SM LD	100.00%	18.90%	26.45%
169	SM HD	0.00%	16.76%	38.28%
171	SM HD	100.00%	20.84%	28.08%
173	SM HD	100.00%	13.44%	25.18%
180	SM HD	0.00%	9.15%	5.09%
181	SM HD	0.00%	20.14%	30.95%
184	SM HD	100.00%	14.50%	27.65%
188	SM HD	100.00%	20.39%	36.66%
189	SM HD	0.00%	14.09%	31.88%
194	VS HD	100.00%	16.84%	31.06%
195	VS HD	100.00%	13.75%	3.19%
196	VS HD	0.00%	18.58%	45.33%
197	VS HD	100.00%	16.73%	25.07%
198	VS HD	100.00%	13.30%	-5.99%
199	VS HD	0.00%	20.80%	40.39%
200	VS HD	100.00%	12.10%	0.71%
201	VS HD	100.00%	18.62%	29.56%
202	VS HD	0.00%	14.88%	32.97%
204	VS HD	0.00%	18.69%	43.48%
205	VS HD	0.00%	19.52%	58.53%
207	VS HD	0.00%	16.26%	31.54%
208	VS HD	0.00%	17.33%	37.00%
209	VS HD	100.00%	29.14%	24.37%
210	VS HD	0.00%	18.50%	38.32%
258	VS LD	100.00%	43.73%	46.31%

I will discuss each of these factors in the following and indicate the publications that are particularly affected by them. In the course of that discussion I will try to address at least once each publication in Table 3 as well as many others among the 259 POIR 19 publications. I also provide a brief discussion of the impact on medium sized publications and the difference comailing or co-palletization could make for such publications. Finally, I will point out some inconsistencies in the data the Postal Service has provided for certain publications and show how it may have biased my comparison of the rate impact under Tang's and Mitchell's rate proposals.

A NON-MACHINABILITY

While not the only factor, the recognition of non-machinability as a cost driver is one major reason why Time Warner's proposed rates show greater fluctuation in impact versus current rates than do, for example, the rates proposed by witness Tang.

All publications with flats pieces that are not AFSM-100 machinable and not presorted to carrier route would pay less postage, in some cases much less, under the proposed Time Warner rates if they were able to change to a machinable format. If they could adopt a machinable format, assuming no other change, publications no. 20, 23, 41, 69, 84, 92, 130, 158, 177, 189, 208, 228, 233, 234, 241, 252, 255 and 257 would switch from paying more under Time Warner's proposed rates than under Tang's proposed rates, to paying less.[1]

I believe that beginning now to recognize the importance of flats machinability will be of great benefit to the Periodicals class in the future. Conversely, continuing to ignore the issue of Periodicals flats machinability, when the Postal Service already is making

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[1] Four of the eighteen, publications 177, 228, 233 and 234, are non-machinable because they weigh more than 20 ounces per piece. It is unlikely that publications would reduce their weight just to avoid paying for non-machinability, and such a reduction would of course lead to other changes, including lower pound rates. The fourteen other publications have lower piece weight and the reasons they are called non-machinable cannot be determined based on the POIR data provided by the Postal Service. Note that many publications are affected by conditions other than non-machinability, discussed in sections B through E, and changing those conditions as well would give many more publications a lower postage increase under the Time Warner rates.

AFSM-100 machinability a condition for continued flats automation discounts in Standard and First Class, will only set Periodicals mailers up for greater disappointment and greater "rate shock" in the future.[2]

However, some questions about flats machinability and its impact remain and need to be addressed, including:

(1) What conditions cause non-machinability and what options exist for Periodicals and other flats mailers to be able to conform with the Postal Service's standards for machinability?

(2) Is the distribution of machinability/non-machinability among large, medium and small publications in the POIR 19 data representative for the class as a whole, and if not, what is the degree of non-machinability in the different size strata among Periodicals flats?

(3) How would a change to machinability affect the non-machinable publications in Table 3, in which special interest was expressed during my hearing?

(4) Are the current (AFSM-100) machinability standards likely to continue to be the standards for flats machinability in the future, and what consideration should be given in this docket to the possibility of future changes in machinability standards?

I attempt to address these issues in the following sections.

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[2] *See Federal Register* Vol. 71, No. 187/September 27, 2006. New Standards for Domestic Mailing Services, particularly pages 56588-9. For example, under Standard mail Flats, the notice says: "The physical standards for automation flats would be the criteria for AFSM 100 pieces, with new standards for flexibility." The notice goes on (at page 56589) to define the new category of "Not Flat machinable" (NFM) as pieces that "are currently automation compatible only by meeting UFSM 1000 Standards."

1. What Conditions Cause Non-Machinability And What Options Exist For Periodicals And Other Flats Mailers To Be Able To Conform With The Postal Service's Standards For Machinability?

Time Warner posed an interrogatory to the Postal Service, after receiving its first version of the POIR 19 data, in the hope of better understanding what factors cause non-machinability and why the incidence of non-machinability among the smallest POIR 19 publications seemed to be substantially higher than that indicated by LR-L-91 data, particularly for very small publications.

The Postal Service's response to TW/USPS-7, filed on November 6, included a large amount of data extracted from mail.dat files, but is disappointing in that it provides additional insight in the causes of non-machinability, beyond what could have been concluded directly from the POIR 19 data, only for a few publications.

Here is what can be determined about the source of non-machinability for specific publications.

Publications No. 9, 27, 31, 53, 74, 105, 114, 167, 169, 177, 181, 199, 228, 229, 233 and 234 are non-machinable and weigh more than 20 ounces per piece. Additionally, data provided by the Postal Service in response to TW/USPS-7 indicate that Publications 4, 8, 12, 14, 30, 55, 84, 123 and 137 contain at least some pieces weighing over 20 ounces.[3]

I doubt if many publishers would see it as a problem if they have an issue that weighs more than 20 ounces per piece, even if it forces them to pay extra for non-

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[3] The average piece weights for the latter publications, according to the POIR 19 data, are respectively 12.5, 10.4, 18.9, 9, 13.5, 19.1, 17.5, 11.8, and 7.6 ounces. There appears to be an inconsistency in the case of publication No. 8, which according to the POIR 19 data is 100% machinable.

Publication No. 46 is shown with an average piece weight of 59.2 ounces, the heaviest of all POIR 19 publications, yet is characterized as "machinable." This appears to be an inconsequential error, because the publication consists mostly of firm bundles. Since such bundles are never AFSM-100 machinable, I applied the same rate whether or not they are characterized as machinable by the Postal Service.

machinability. While there are exceptions, for most publications, weighing that much means having more advertising that will more than pay for the additional postage.

Besides weight, the answer to TW/USPS-7 indicates that publications 65 and 68 are non-machinable because they are in violation of the limitation on the "height" for non-machinable flats.[4] Publication 123 is shown in the same data as having some pieces that are more than ¾ inch thick, another violation of flats machinability criteria.

Apart from the publications mentioned above, the remaining non-machinable publications among those numbered 1 through 158 are so labeled simply because they are shown as not AFSM-100 machinable in the mail.dat files that the Postal Service extracted for these publications. There is no other information available about why they are non-machinable, except that it does not have to do with weight or dimension. The publications for which we therefore know nothing more about the source of their non-machinability, except that the mail.dat files say so, are then publications no. 20, 23, 24, 39, 41, 63, 65, 67, 68, 69, 75, 78, 86, 88, 90, 92, 101, 102, 106, 110, 115, 116, 119, 120, 121, 130, 152 and 158.

Since the reasons these publications have been labeled non-machinable are not known, it is not possible to determine how easy or difficult it might be for them to become machinable. Nor is it certain that all of them really are non-machinable: since non-machinability is not presently a rate element, mailers are not necessarily putting great efforts into assuring that this particular data element in mail.dat files, among many others, is always correct.[5]

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[4] The "height" is the dimension that is perpendicular to the seam of a magazine/catalog or last fold of a flat that has been folded. It cannot be more than 12 or less than 5 inches to qualify for machinability.

[5] In preparing to answer ABM/TW-T1-8, regarding the impact of the proposed rates on Time Warner's publications, I obtained from Time Inc. mail.dat files for some of its smallest publications, including four whose mail.dat files showed non-AFSM-100 machinability. Since I could see no other information that would cause these publications to be considered non-machinable, I made further inquiries to Time Inc. Eventually it was determined that these publications meet all machinability criteria and were labeled as non-machinable only because of a software error that no one had gotten around to fixing, since it has no bearing on current rates. Based on that experience, I suspect, though I obviously do not know with certainty, that some of the publications listed above may in fact be AFSM-100 machinable.

Even less is known about the reasons why publications 180, 189, 196, 202, 205, 207, 208, 210, 241, 255 and 257 have been labeled non-machinable in the POIR 19 data. All that is known is that it is not because of excess weight. These are smaller publications on which the Postal Service did not have access to mail.dat type information. The Postal Service's answer to TW/USPS-7 indicates that the process of determining machinability for these publications was much less rigorous than the corresponding effort that went into the data collection to support LR-L-91.

For example, the Postal Service states that:

> "For observations collected through qualification reports, the criteria, other than weight, for determining AFSM-100 compatibility are not retained."

And, in contrast to the rigorous on-site checking for machinability in the LR-L-91 data collection, the Postal Service states that:

> "In the response to POIR No. 19, BMEU's were asked to establish machinability based on memory and experience since pieces were not available for inspection and measurement."

2. Is The Distribution Of Machinability/Non-Machinability Among Large, Medium And Small Publications In The POIR 19 Data Representative For The Class As A Whole, And If Not, What Is The Degree Of Non-Machinability In The Different Size Strata Among Periodicals Flats?

My response to POIR 19 refers to the statistics on machinability that can be extracted from the LR-L-91 publications data provided by witness Loetscher in response to Time Warner interrogatories. The information I referred to is summarized in Table 4.[6]

Table 4 breaks down the entire volume of Outside County flats in six different circulation size strata between machinable and non-machinable flats, and shows the percent of flats that are non-machinable in each stratum. The average non-

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[6] My POIR 19 response referred, in footnote 10, to Loetscher's Table 11 in his response to TW/USPS-T28-11. But as pointed out by counsel for McGraw-Hill, the reference should have been to Loetscher's Table 15, which is the source of the information presented here.

machinability for the class as a whole is 15.69%. But for very small publications, those with circulation less than 1,000, only 6.57% were estimated to be non-machinable. There is also a relatively low incidence of non-machinability for very large publications, those with circulation over 300,000, while the largest incidence of non-machinability, around 27%, occurs for the publications whose circulation sizes range from 15,000 to 300,000.

Table 4: Machinability Of Outside County Flats Per Circulation Size

Strata Size	Machinability		
	Machinable	Non-Machinable	% Non-Machn:
Over 300K	4,457,810,850	499,338,539	**10.07%**
100K - 300K	692,480,307	261,251,459	27.39%
15K - 100K	1,186,071,677	432,299,262	26.71%
5K - 15K	260,474,246	59,650,757	18.63%
1K - 5K	178,177,921	25,431,738	12.49%
0 - 1K	144,202,219	10,133,122	6.57%
Total:	6,919,217,220	1,288,104,876	15.69%

The above numbers are, as discussed above, based on a rigorous examination of machinability and a scientific stratified sampling approach as described by witness Loetscher (USPS-T-28). I was therefore particularly surprised to find that among the 42 very small publications on which the Postal Service provided data in response to POIR 19, twelve, or 28.6%, rather than the 6.6% indicated for this stratum in Table 4, are identified as non-machinable.

3. Impact Of Machinability On Publications In Which Counsel For McGraw-Hill Expressed Special Interest.

Table 3 above shows the 40 publications in which particular interest was expressed during my hearing. While I interpreted the total of questions asked to concern all 259 POIR 19 publications, it may be of interest to consider how the question of machinability affects the 40 that were specifically mentioned. This is illustrated in Table 5, which is an expanded version of Table 3. Of the 40 publications, 13 are 100% machinable. Five others are non-machinable for reason related to weight, and as

discussed above one would not expect a publisher to deliberately reduce the weight of his publication just to avoid paying for non-machinability. But the remaining 22 are under the weight limit and still non-machinable, for reasons unknown.[7] It is not *unreasonable to expect that at least some of those would take whatever steps might be* necessary to qualify as machinable flats.[8]

In Table 5, the second to last column shows the percent increase each publication would have under the Time Warner rates if it qualified as machinable. For those that already are machinable, there is no change. For the five that are non-machinable due to weight limits, as indicated in the last column, the results are essentially meaningless. But for the remaining 22, there could be drastic reductions in the percent increase over current rates, even with no other changes. Publications 92, 189 and 208 would change from an increase much higher than under the rates proposed by Tang to paying less. Publications 205 and 63, whose increases when non-machinable are 58.53% and 47.46% respectively, would instead have increases of 29.7% and 19.44%. Those are still high, but there are other reasons for that, as shown in later sections.

It is worth noting that non-machinability does not affect all flats equally. Generally, the impact is larger the more sorting operations a flat must go through. For carrier route presorted flats, non-machinability has practically no impact. That is why, as seen in Table 5, publication 4, though mostly non-machinable, still would get a low increase (slightly lower than under the Postal Service's proposal) and its increase would change only a few percentage points if it became machinable.

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[7] One exception is publication 65 which, as mentioned earlier, exceeds the height limit for machinable flats and would need to change its format to qualify as machinable.

[8] One reason flats may be considered not AFSM-100 machinable is if they use a kind of poly wrap that has not been approved for the AFSM-100 by the Postal Service. But the list of poly-wrap materials that are approved is long, and one must assume that mailers would choose an approved type if machinability were a rate element.

Table 5: Impact Of Machinability On Publications Specifically Mentioned by Counsel for McGraw-Hill

Publication Number	Stratum	Percent Machinable	Estimated Postage Increase		
			Tang	Mitchell	Mitchell if Mach.	Over Weight Limit?
4	LG HD	9.27%	7.49%	6.32%	3.66%	Yes
63	MD HD	0.00%	12.99%	47.46%	19.44%	
65	MD HD	0.00%	12.05%	27.60%	13.72%	
75	MD HD	0.00%	11.82%	27.86%	14.17%	
79	MD HD	0.00%	10.94%	26.23%	13.87%	
84	MD HD	0.00%	13.90%	25.01%	13.09%	
92	MD HD	28.73%	18.06%	30.78%	10.90%	
101	MD HD	0.00%	10.83%	26.06%	13.43%	
102	MD HD	0.00%	14.43%	30.68%	18.75%	
110	MD LD	0.00%	14.91%	39.84%	19.48%	
114	MD LD	0.00%	11.47%	24.68%	13.05%	Yes
119	MD LD	0.00%	11.21%	29.28%	14.61%	
120	MD LD	0.00%	15.34%	39.54%	20.41%	
123	MD LD	0.00%	14.51%	35.81%	19.44%	
152	MD LD	0.00%	14.44%	39.42%	18.35%	
156	SM LD	100.00%	18.90%	26.45%	26.45%	
169	SM HD	0.00%	16.76%	38.28%	30.74%	Yes
171	SM HD	100.00%	20.84%	28.08%	28.08%	
173	SM HD	100.00%	13.44%	25.18%	25.18%	
180	SM HD	0.00%	9.15%	5.09%	-4.06%	
181	SM HD	0.00%	20.14%	30.95%	20.93%	Yes
184	SM HD	100.00%	14.50%	27.65%	27.65%	
188	SM HD	100.00%	20.39%	36.66%	36.66%	
189	SM HD	0.00%	14.09%	31.88%	14.00%	
194	VS HD	100.00%	16.84%	31.06%	31.06%	
195	VS HD	100.00%	13.75%	3.19%	3.19%	
196	VS HD	0.00%	18.58%	45.33%	28.97%	
197	VS HD	100.00%	16.73%	25.07%	25.07%	
198	VS HD	100.00%	13.30%	-5.99%	-5.99%	
199	VS HD	0.00%	20.80%	40.39%	26.75%	Yes
200	VS HD	100.00%	12.10%	0.71%	0.71%	
201	VS HD	100.00%	18.62%	29.56%	29.56%	
202	VS HD	0.00%	14.88%	32.97%	16.96%	
204	VS HD	0.00%	18.69%	43.48%	24.27%	
205	VS HD	0.00%	19.52%	58.53%	29.70%	
207	VS HD	0.00%	16.26%	31.54%	16.84%	
208	VS HD	0.00%	17.33%	37.00%	16.20%	
209	VS HD	100.00%	29.14%	24.37%	24.37%	
210	VS HD	0.00%	18.50%	38.32%	23.10%	
258	VS LD	100.00%	43.73%	46.31%	46.31%	

4. Are the current (AFSM-100) machinability standards likely to continue to be the standards for flats machinability in the future, and what consideration should be given in this docket to the possibility of future changes in machinability standards?

The Postal Service in this docket, and in its September 27 Federal Register notice (see footnote 2 above), has told First Class and Standard mailers that in the future AFSM-100 machinability will be the one and only standard that qualifies for flats automation discounts. Furthermore, it has told the same mailers that flats currently referred to as UFSM 1000 machinable will, from now on, be considered non-machinable (or NFM – non flats machinable).

It has not told Periodicals mailers the same thing yet, but the flats sorting machines that sort First Class and Standard flats, now and in the future, are the same ones that will be used to sort Periodicals flats.

It is possible, though not yet proven, that when deployed the FSS machines will be able to process some flats that are not AFSM-100 machinable. But that has no relevance for flats that enter the postal system with 3-digit or lower presort, since such flats will have to be sorted on AFSM-100 machines before they can even get to the FSS. It is also irrelevant for all flats destined to zones where the FSS will not be used.

In any case, it is impossible to believe that the Postal Service, which keeps saying that the FSS is around the corner, would at this time announce the AFSM-100 standard as the only standard for First Class and Standard flats, if it really believed that it soon would be able to expand that standard to a much wider group of flats.

The Postal Service will be writing the standards for flats machinability. When non-machinability becomes recognized as a cost factor in the rates, it will need to address issues that it may not have had to address until now. For example, when a flats mailing includes flats whose average weight is less than 1.25 pounds, the current weight limit, but some flats that are a little over the limit, it will need to decide whether and under

what conditions the average would qualify all flats in the mailing as machinable.[9] It is also possible that with improving technology the universe of flats that are considered machinable will expand, but in my opinion it makes little sense to wait for such developments when flats sorting technology already has become very advanced and non-machinability is a major cause of added flats costs in today's processing environment.

B REDUCTION OF EXCESSIVE BARCODE DISCOUNTS

The rates proposed by witness Mitchell on behalf of Time Warner pass through 100 percent, and only 100 percent, of the calculated cost differentials between flats with and without a mailer-applied barcode. But the Postal Service proposes much higher passthrough factors, up to 899% in the case of Periodicals with 5-digit presort, whether or not those Periodicals are machinable.

There is a known history behind the high flats automation discounts, dating back to before the Postal Service had figured out how to use OCR technology on its flats sorters.[10] But the result is that today flats "automation discounts" are much larger than they should be, while current rates fail to recognize machinability as an important cost driver.

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[9] As I pointed out in my testimonies in this docket and in Docket No. C2004-1, AFSM-100 machines are capable of processing some flats that weigh a little more than 1.25 pounds, but when there are many such flats at the same time, the productivity drops significantly. See footnote 13 in TW-T-2 in this docket.

[10] In Docket MC91-1, when the Postal Service first proposed flats automation discounts, its initial concept was for the flats automation program, unlike that for letters, to depend exclusively on mailer provided barcodes. It planned to install barcode readers, but no OCR's, on its flats sorting machines at that time, the model 881. Because of the greater variety in size, orientation and possible address label locations, using OCR's to read address information is much more difficult on flats than on letters. Later, however, the Postal Service figured out how to do it and placed OCR's on all its flats sorters. Over time the OCR's have become smarter and the computers that support its flats sorting machines are faster and have bigger memories. As a result, the real cost differential between flats with and without a mailer applied barcode has diminished, while Postal Service rate design witnesses have resorted to ever larger "passthrough" factors to avoid large reductions in its automation discounts.

Nevertheless, it is unavoidable that mailers who have enjoyed large flats automation discounts, particularly medium sized mailers that produce mostly 5-digit flats bundles, would see the reduced automation discounts in the proposed rates as a "loss."

One reason that most "very small" publications in POIR 19 would do so well under the Time Warner rates is that most of them do not pre-barcode and consequently have not up to now been claiming automation discounts. Among the 25 very small publications with low density (publication numbers 235-259) only one (publication 253) currently uses barcodes. Among those with "high density," pre-barcoding, as well as non-machinability, appears more common.

As Table 1 in my POIR 19 response showed, four machinable very small publications, numbered 194, 197, 201 and 258, would get a higher increase under the Time Warner rates than under Tang's rates. The first three of them have been receiving automation discounts for barcoding. Note, however, that for all four of these publications, there are other reasons for the projected high increases, as I will discuss in parts C and D below.

C. REMAINING SKIN SACKS

POIR 19 requested that the Postal Service provide publication data, similar to the data witness Tang had provided in Docket No. C2004-1, but collected after the May 2006 regulation change that eliminated almost all sacks with less than 24 pieces. For the most part, the data provided shows substantially more than 24 pieces per sack. But there are some exceptions. One of them is Publication 205, which shows the largest postage increase under Time Warner's rates, equal to 58.53%. Were that publication in conformance with the 24 piece rule, the 58.53% would drop substantially, though it might still be higher than average, due to other issues such as non-machinability, as discussed in part A above (see Table 5).

In fact, 23 of the 259 publications average less than 24 pieces per sack. Five of those are large publications that mostly used pallets, so that their sack use has little impact on their overall postage. A few others still would have a low increase due to other factors, but of the nine publications whose postage increase under the Time Warner proposal would be over 40%, five have less than 24 pieces per sack. Clearly, the remnants of

skin sacks that still exist have some impact on the estimated postage increases. To the extent that such remnants are gone by the test year, several publications will experience a much lower increase under the Time Warner rates than Table 2 indicates.

Table 6 lists the publications with less than 24 pieces per sack, the pieces per sack for each and the projected postage increase the proposed rates. Not surprisingly, ten of them, including the five with the lowest number of pieces per sack, are among the publications in which McGraw-Hill expressed special interest (Table 3).

Table 6: Remaining Use of Skin Sacks In POIR 19 Publications

Publication Number	*Pieces/* Sack	*Increase Under* Mitchell's Rates
258	5.7	46.31%
181	8.8	30.95%
199	10.5	40.39%
169	13.9	38.28%
209	14.5	24.37%
256	15.0	18.08%
162	15.3	9.82%
228	15.7	25.92%
171	16.8	28.08%
257	18.0	29.30%
255	18.0	42.77%
210	18.3	38.32%
205	19.5	58.53%
46	19.7	21.22%
7	19.9	7.74%
259	20.0	-1.01%
31	21.2	15.33%
74	21.4	9.39%
167	22.7	29.10%
9	22.8	10.84%
254	23.0	12.62%
207	23.4	31.54%
196	23.7	45.33%

The Postal Service stressed during my hearing that not all sacks with under 24 pieces are eliminated by current regulations. The regulations include provisions for residual sacks that may contain residual volumes of less than 24 pieces. In examining the data on various publications in the table above, I concluded that it is probable that some only

use skin sacks that are within current regulations, but that others are likely to be in violation of those regulations.[11]

An example of the former appears to be publication 258, which consists of 17 pieces mailed in three sacks. The three sacks are the reason this machinable publication would get an increase of 46.31% under the Time Warner rate proposal and of 43.73% under the Postal Service's proposal. I estimated that if the contents of the three sacks were consolidated into one sack with 17 pieces, the total postal bill for this publication would be $9.26, representing a 20.27% increase, under the Time Warner proposal, and $9.36, a 21.65% increase, under the Postal Service's proposal.

For publications like this, however, there may be a possibility, under the Periodicals Cost Reduction Initiative, to reduce their costs, and their rates, to a very low increase, or sometimes no increase at all, relative to current rates. That is through simply eliminating mailer prepared sacks altogether for very small volumes, allowing bundles of flats mail to be put directly in Postal Service containers such as hampers, APC's or tubs, placed at platforms in postal facilities. For example, witness McCrery's description of the initiative, in Library Reference 49, includes the following passage:

> "Also, options will be developed to allow the entry of smaller, local Periodicals mailings at destination facilities in alternate containers or by unloading the bundles straight into a container (e.g. rolling stock, pallet box) provided by the plant. Based on the cost associated with sorting, transporting, and dumping sacks, as well as the impact to the contents (e.g. bundle breakage) any decrease in sack utilization is expected to produce significant benefits."

This is not really a new idea, of course. In county mailers have long been asking for ways to enter their residual (Outside County) volumes in something other than sacks. Already in the Time Warner Et Al. Complaint case there were reports of such options

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[11] In my view, the fact that some "skin sacks" are allowed under current regulations does not mean that mailers who use them should not be required to pay for the costs of handling them. Under the Time Warner rate proposal, mailers who use skin sacks, as well as all other sacks, would be charged with 60% of the costs of those sacks.

existing in some local post offices and service improvements that had resulted from it.[12] My surrebuttal testimony in that docket briefly discussed the cost advantages of such alternatives[13] and it is my understanding that the Postal Service now will make such options available to most very small mailers.

D SMALL, "HIGH DENSITY" PUBLICATIONS ENTERED FAR FROM THEIR DESTINATION

One question posed during my cross-examination was why it appeared that very small publications identified as "high density" appeared to fare worse under the Time Warner proposal than those identified as "low density." At the time, I could only note that it so happens that many of the "very small, high density" publications on which the Postal Service has provided data are non-machinable. After closer review, however, I have noticed another characteristic of some small and very small high density POIR 19 publications that appears to be causing costs that should be possible to avoid.

A small or very small "high density" publication is most likely a local publication that sends most if not all its copies to a limited geographic area. A few hundred or even a few thousand copies obviously cannot provide "high density" to a very large area. One might think such a publication would be a good candidate for DSCF and DADC entry, i.e., that it would be able to get dropship rates for most of its volume. But it appears that this is not always the case.

Consider as an example publication 194, a very small "high density" weekly publication that is machinable. About half of its pieces pay the 5-digit auto rate and most of the rest pays the 3-digit auto rate. Curiously, all its volume is entered in Zone 6, i.e. between 1,000 and 1,400 miles from its destination. The two 5-digit, ten 3-digit and one MADC sacks that this publication is entered in are therefore charged with the origin

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[12] See, for example, NNA-T-2, Testimony of R. Douglas Crews at 12-13, in Docket No. C2004-1:Tr. 6/2033-34.

[13] See TW et al.-RT-2, Surrebuttal testimony of Halstein Stralberg at 22 in Docket No. C2004-1: Tr.5/1561.

entry sack rates under Time Warner's proposal, leading to a 31.06% estimated postage increase, versus 16.84% under Tang's proposal.

It seems curious that a small weekly publication serving a local area would not choose to produce its copies more locally, if for no other reasons than to assure faster delivery. Evidently, current postal rates do not provide it with sufficient incentive to produce its copies locally. The incentive would be stronger under Time Warner's proposed rates.

As a contrast, consider publication 195, also machinable, published weekly, very small and "high density." It uses a total of 28 sacks, but 18 of those (ten 5-digit and eight 3-digit) are entered at the destinating SCF. The remaining eight are going to various distant zones and would pay origin entry sack rates. The postage increase for this "very small high density" publication under Time Warner's proposal would be 3.19%, versus 13.75% under Tang's proposal.[14]

Publications 197, a monthly, and 198, a weekly, are two other machinable, very small "high density" publications that would fare very differently under the Time Warner proposal. No. 197 enters almost all its volume in Zone 4, i.e., between 300 and 600 miles from its destination, while 198 enters all of its 21 sacks at the DSCF. Postage for 197 would increase 25.07%, while that for 198 would decrease by 5.99%. Almost the same can be said about publications 200 and 201, again both machinable, very small and "high density." No. 200, a daily, is entered at the DSCF and would have a 0.71% increase. No. 201, a weekly, is not entered at a destinating facility and its sacks would be charged the origin entry rates. Its postage would increase by 29.56%.

Another slightly larger machinable "high density" publication that illustrates this point is number 184, a weekly with circulation a little under 2,000. Why would such a publication choose to enter practically all its volume in Zone 5, between 600 and 1,000

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[14] *This is not the only reason* publication 195 does so much better than 194 under Time Warner's rate proposal. Another is related to the discussion in part B above. Publication 195 is not barcoded while 194 is; consequently 195 is not "losing" the excessive barcode discount in the current rates. Publication 195 uses sacks with an average of 26.9 pieces per sack. It could probably do even better under the Time Warner rates and even under Tang's proposed rates by using fewer sacks.

miles from their destination, with not a single piece closer than zone 3? Or consider publication 169, another larger, but still classified as "Small High Density," publication. Its pieces weigh over 2.5 pounds each. It is entered using 25 pallets and 202 sacks. But almost all of them are entered in Zone 4, when it would seem that with that much weight (over 15,000 pounds in total) this publication would find it worth while to take its volume to the destinating SCF or ADC, thereby getting faster and more reliable service as well as lower postage. Its containers would be charged as origin entered under the Time Warner proposal and its postage would increase by 38.28%.[15]

Another small, high density but very different publication is number 173, whose pieces weigh only 0.8 oz/piece. The entire sample mailing of 230 pounds occupies 83 sacks. While these are not exactly skin sacks since they contain many pieces, they certainly are lightweight. Even though it is small and high density, most of the 83 sacks are 5-digit sacks entered in Zone 4 that are charged the origin entry sack rates. This publication gets away with using many light-weight 5-digit sacks because 24 pieces of it weighs very little. It might still be better off with many fewer 5-digit sacks, or taking them to a destinating facility.

All of the publications discussed above are included in Table 3 as being of special interest. I have explained above one of the reasons some of them would do much better than others under Time Warner's proposed rates. There are other reasons as well that apply to some of them.

Publication 201 illustrates another issue that I think would need to be addressed in the implementation of these rates. Its volume is entered mostly in Zones 1&2 and its containers would, under our proposed rates, be considered as entered at origin, since they are not entered at a destinating facility.

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[15] Note, however, that publication 169 is one example of inconsistencies in the data provided by the Postal Service that I believe biases the comparison of rate increases against the Time Warner rate proposal. Some of the pieces in publication 169 are shown as receiving the DADC piece discount under current rates. Yet not even one of its containers (which are charged under Time Warner's rates) is shown as being entered at a destinating ADC. See part G below for other examples of this.

It is possible, however, that this publication in fact simply is being entered at the local post office nearest to where it is being produced. It is also possible that this is the most sensible thing for a very small publication to do, and that taking it to the SCF, which would earn SCF rates for the volume destinating in the local area, simply does not make economic sense. It would seem that such a small publication should be allowed to pay container charges that are smaller than if they were entered at a local post office thousand of miles away. More appropriate might be to consider that when a container is entered at a local post office, served by the destinating SCF for that container, then the costs imposed on the Postal Service before the container gets to the SCF are more similar to the costs if the container were entered at the DADC. In other words, the DADC rates might be more appropriate for such containers than the higher origin entry container rates.

Publication 188, which is small, high density, machinable and highly presorted (about half of it has carrier route presort) is another example. Its volume is entered entirely in Zones 1&2. Its six sacks would be charged origin entry rates, even though it is likely this volume is being entered at a local post office served by the destinating SCF.

The Postal Service said in this docket that very little Periodicals volume is entered in the OAO (originating associate office, station or branch) and for that reason the data provided by witness Loetscher combined OAO and OSCF entry into one category of entry points. Yet among the very small publications whose data are included in POIR 19, there appear to be quite a few that are entered at their OAO. The regulations for how the containers carrying these small volumes should be classified would have to be developed by the Postal Service. In many cases, for very small volumes, there might be a solution similar to that discussed above in connection with remaining skin sacks, i.e., the Postal Service, under the Periodicals cost reduction initiative, might simply provide ways for small volumes to be entered without any mailer prepared containers, i.e., the flats bundles would be placed directly in containers such as hampers or tubs placed on the platform in each postal facility.

E FIRM BUNDLES

As I pointed out in my revised response to ABM/TW-T1-8, filed October 26, firm bundles in Time Warner's proposed rates are treated quite differently from in conventional rate design. While the latter assumes that a firm bundle is a "piece" and is treated like other flats pieces in mail processing, Time Warner's rate design recognizes that it is a bundle and is processed like a bundle in all mail processing functions, but it becomes a "piece" and is treated like any other piece in the delivery function.

For reasons explained below, and illustrated with reference to specific publications, this more cost based treatment of firm bundles can lead to sharply higher postage for some publications that use many such bundles, and sharply lower postage for other publications.[16]

In the POIR sample 134 publications use at least some firm bundles. The practice appears to be most common among medium sized publications. Among the 100 POIR 19 publications with circulation between 15,000 and 100,000, 84 use some firm bundles. A few consist predominantly of firm bundles.

One such example is publication number 46, 95% of whose bundles are firm bundles. Of its "pieces," 66% are firm bundles. Its postage would increase 14.5% under witness Tang's proposal, but 21.2% under the Time Warner proposal. A close review of the data for this publication shows that the Postal Service assumes that under current and Tang's proposed rates, about half of its firm bundles would just pay the carrier route piece rate and most of the rest would pay 5-digit or 3-digit piece rates. Under the Time Warner rates, these bundles would pay the carrier route piece rate plus bundle charges that depend on the presort level of the containers they come in, plus of course they would also pay for the containers. This is why publication no. 46 would pay more under the Time Warner proposal.

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[16] Two examples of publications that would pay much more postage, but do not appear to be included in the POIR 19 sample, are Time Warner publications that use only firm bundles and whose postage would increase over 30% under the Time Warner rate proposal. See revised response to ABM/TW-T1-8, where the two publications are referred to as nos. 30 and 31.

A very different outcome results for publication no. 115, a medium sized low density publication that would get a 15.12% postage increase under Tang's proposed rates. Despite being non-machinable, this publication would get an increase of only 8.04% under the Time Warner rates. For this publication, 94.24% of its bundles and 84.33% of its pieces are firm bundles, which are entered in sacks, mostly mixed ADC but also some ADC and 3-digit sacks, at origin. Under the current and Tang proposed rates, all of these bundles would pay the basic non-auto piece rate. Under the Time Warner proposal, they would pay the carrier route piece rate, plus bundle and container rates. The publication does better under Time Warner's more cost based rates.

Postal Service witnesses in this case appear to have assumed that firm bundles always pay the non-auto basic piece rate. Publications for which this holds true, such as no. 115 referred to above, will generally be able to pay less for their firm bundles under Time Warner's rate proposal. Other publications, however, are currently able to enter their firm bundles at a much lower rate and will pay more under the cost-based rates proposed by Time Warner.[17]

For a total of ten POIR 19 publications, more than 20% of the bundles are firm bundles. They are numbered 46, 89, 90, 92, 115, 138, 156, 215, 222. For four of these (46, 90, 115 and 222) more than 50% of the bundles are firm bundles.

Before leaving the subject, I should point to a couple of apparent errors in the POIR 19 firm bundle data provided by the Postal Service. First, for most publications, the firm bundles are shown as AFSM-100 machinable, when in fact they never are sorted on AFSM-100 machines. Second, for publications 156, 196, 212, 213, 217, 222 and 227, the number of pieces identified as firm bundles differs from the number of bundles identified as firm bundles. I do not think this is possible. Correcting these mistakes could conceivably affect the POIR 19 rate comparison for some of these publications.

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[17] See, for example, Table 4 in LR-L-91, where firm bundles occur only under the non-auto, basic rate category. But publication 46 referred to above, as well as publications 30 and 31 in my response to ABM/TW-T1-8, are examples of publications whose firm bundles are able, under existing regulations, to qualify for much lower rates, in many cases carrier route rates.

F. MEDIUM SIZED PUBLICATIONS AND COMAILING

Questions were also raised regarding the fact most medium size publications (circulation between 15,000 and 100,000) in the POIR 19 sample appear to get a larger increase, in some cases much larger, under Time Warner's proposed rates.

I have discussed two contributing factors in preceding sections. One is the relatively high incidence of non-machinability. Another is that medium sized publications tend to have a high percentage of pieces that qualify for the 5-digit automation rate. Those pieces have been the main beneficiary of automation discounts that far exceed the costs avoided, and would be beneficiaries again of witness Tang's proposed 899 percent automation savings passthrough, were the Commission to adopt the Postal Service's rate proposal.

But there is a third factor that needs to be considered, namely that publications in this stratum for the most part are excellent candidates for comailing and co-palletization, and that the opportunities for that form of mail preparation appear to be expanding rapidly.

In the POIR 19 data provided by the Postal Service, the first column indicates "COMAIL" for 85 of the first 158 publications. In its answer to TW/USPS-7 (filed November 6, 2006), the Postal Service indicates that this designation was used whenever a mail.dat file indicated multiple publications. But that can occur both for comailed and co-palletized publications, which confirms the suspicion I expressed in my POIR 19 response that for many of these publications the designation may indicate either comailing or co-palletization and that it is not possible to determine which applies to any specific publication.

Among the 100 medium sized publications in the POIR sample, 65 are indicated as either comailed or co-palletized. Thirteen of those are non-machinable. I have compared the impact of Tang's and Mitchell's rate proposals for the 52 medium sized publications that are at least 50% machinable and are either comailed or co-palletized. The results are shown in Table 7 below,

Table 7: Comparison Of Impact On Medium Sized Publications that are Comailed or Co-palletized and Machinable

Density	Largest Increase?		Total
	Tang	Mitchell	
High	16	8	24
Low	9	19	28
All Medium Size	25	27	52

In this group, most of the "high density" publications (16 out 24) would do better under the Time Warner rates. In the low density stratum this is reversed. Overall, the 52 publications in this category are about evenly split. My expectation would be, though it cannot be verified, that for those publications that really are comailed, rather than just co-palletized, the Time Warner rates would turn out to be the most favorable.

The average percent rate increase for all the 52 publications compared in Table 7 would be 10.31% under Tang's rate proposal and 10.36% under Mitchell's.

Only one "small" publication (no. 153) has the "COMAIL" designation in the POIR 19 sample. Its rate increase would be 8.13% under Tang's rates and 6.79% under Mitchell's rates.[18]

G. INCONSISTENCIES IN POIR 19 DATA THAT CAUSE SOME BIAS IN THE RESULTS OF COMPARING ALTERNATIVE RATE SCHEDULES

The following are some data inconsistencies I discovered that, were it an earlier stage in these proceedings, I would seek clarification of from the Postal Service through interrogatories. At this stage, I will simply report my findings.

The following apparent inconsistency occurs for publications numbered 162, 181, 202, 204, 207, 208 and 210:

[18] Only for six "small" publications did the POIR 19 data come from mail.dat files, which are the source of the "COMAIL" designation.

1. In the worksheet columns containing zone entry data for editorial and advertising pounds, the above publications are shown as being entered only at the DSCF, or in some cases partly at the DADC.

2. All pieces in the above publications (except no. 208) are shown as earning either the DSCF or the DADC piece discounts under current rates.

3. Yet, in the data applicable only to Time Warner's proposed rates, these publications are shown as having one or more mixed ADC sacks, entered at origin.

It would seem that combinations of this type are not possible. If a publication has an MADC sack entered at origin, then the pieces in that sack cannot possibly qualify for either the per-piece or the per-pound SCF/ADC rates.

In comparing the postage these publications would pay under different rate structures, this type of inconsistency would have the effect of either understating the postage under current rates, or overstating the postage under the proposed Time Warner rates, or both. Furthermore, it is possible that there could be more mistakes of a similar nature, just not detectable with the simple test I used to identify the problems with the seven publications indicated above.

A related, but different problem is with publications that are shown as earning dropship discounts under the current rates, yet all containers, on which postage would be charged under the Time Warner proposal, are shown as being entered at origin and not at any destinating facility. This is another impossible combination that would tend to bias the results of comparing rate structure impacts in the same way as that indicated above. I found it to apply at least to publications 169, 185 and 193.

Note that publications 169, 181, 202, 204, 207, 208 and 210 are on the Table 3 list of publications of special interest.

H. CONCLUSIONS

This is not the first time that questions have arisen about why a cost based rate schedule would raise the postage for some publications much more than for others. Similar questions were raised in Docket No. C2004-1, the Time Warner Et Al. complaint case, when the projected increases for some publications were much higher than they are now. My surrebuttal testimony in that docket highlighted the high costs of skin sacks. At that time, Time Warner et al. proposed to continue to allow skin sacks but to reduce their number by requiring that mailers who use them pay according to what they cost the Postal Service. Soon after, however, the Postal Service did something even more severe. It simply declared its intent to outlaw the use of skin sacks altogether. Curiously, when this was announced in Docket No. R2005-1 there were few if any protests.

In the previous sections I have discussed several other cost causing factors that also affect some publications more than others and again would, under implementation of cost based rates such as those proposed by witness Mitchell on behalf of Time Warner, cause the postage paid for some publications to increase much more than for others. But as I have also attempted to show, recognition of these cost causing factors presents opportunities for mailers to sharply reduce the rates they pay while also reducing the Postal Service's costs of processing Periodicals.

For example, publications that do not exceed the weight limit for flats machinability but still are non-machinable will have opportunities for large cost reductions by changing to a machinable format, as illustrated above in Table 5 for the publications in which McGraw-Hill expressed particular interest. Through such a change alone, many mailers could change a large rate increase into one that is smaller than the rate increase they will have under the Postal Service's rate proposal.

Similarly, I have identified several small high density publications that are entered into the postal system very far from their ultimate destination. Producing such volumes closer to where their readers are, or dropshipping them to a destinating facility, could turn very large rate increases into very low increases or no increase at all.

Reducing the remnants of skin sacks use, as discussed in part C above, also bears the potential for further cost reductions, as does the Postal Service's apparent increased willingness, under the Periodicals Cost Reduction Initiative, to accommodate the entry of small volumes without the use of any sacks at all.

On the other hand, some cost causing factors are inherent in the characteristics of certain publications and are unlikely to change. One can argue that mailers should pay for such characteristics. One obvious example is that flats that exceed the machinability weight limit are unlikely to want to reduce the size of their publication just to avoid paying for non-machinability.[19]

Another example, discussed in part E above, is that of firm bundles. Under the proposed cost based rates, some users of firm bundles would pay less than they pay now, while others would pay much more, including Time Inc.'s two classroom publications. But even for those that end up paying more, firm bundles in most cases remain a bargain, when compared with mailing several individual copies to the same address.[20]

Some mailers will experience a "loss" in that they no longer will enjoy discounts for pre-barcoding that far exceed the cost savings such barcodes produce. This is true especially for flats that up to now have qualified for automation discounts as "UFSM 1000 machinable" and that, under the proposed rates, would lose most of the former "automation discounts" as well as paying extra for non-machinability. But such realignments are in my opinion necessary for the future health of the Periodicals class, especially considering that the Postal Service already is taking away the automation discounts for First Class and Standard flats that fail to qualify for AFSM-100 machinability.

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[19] Note, however, that last year many of Time Inc.'s magazines reduced their trim size and basis weights in response to the R2005-1 rate increase. There are no doubt many things that mailers can and will do in order to reduce their costs.

[20] It is possible, however, that some mailers who use firm bundles with only two or three copies might reevaluate their use and conclude that they are better off mailing individual copies, which would receive automated processing.

To summarize, many of the potential high postage increases under the Time Warner rate proposal that are shown in my POIR 19 response and prompted so many questions, can also be interpreted as opportunities to reduce costs, while other changes simply represent an overdue realignment towards cost based rates.

Table 1: Summary Comparison Of Impact Of Alternative Rate Schedules On Sampled Publications – Revised 11-17-2006

Size (Mailed circulation)	Machinable?	Largest Increase?		Total
		Tang	Mitchell	
LG (>100K)	Yes	25	21	46
	No	1	5	6
MD (>15K, <100k)	Yes	26	46	72
	No	2	26	28
SM (>1K, <15K)	Yes	19	35	54
	No	1	10	11
VS (<1K)	Yes	26	4	30
	No	0	12	12
Total:		100	159	259

Table 2: Per-Piece Postage & Rate Increases For LR-L-189 Periodicals Under Alternative Rate Proposals – Revised 11-17-2006

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
1	LG HD	100%	$0.3571	$0.3890	$0.3816	8.92%	6.86%
2	LG HD	100%	$0.1750	$0.1980	$0.1823	13.15%	4.19%
3	LG HD	100%	$0.2865	$0.3008	$0.2967	4.99%	3.56%
4	LG HD	9%	$0.3022	$0.3248	$0.3213	7.49%	6.32%
5	LG HD	100%	$0.2298	$0.2555	$0.2459	11.18%	7.02%
6	LG HD	100%	$0.2927	$0.3195	$0.3071	9.16%	4.94%
7	LG HD	100%	$0.3446	$0.3756	$0.3713	8.98%	7.74%
8	LG HD	100%	$0.2647	$0.2900	$0.2784	9.57%	5.19%
9	LG HD	47%	$0.4616	$0.4985	$0.5117	7.98%	10.84%
10	LG HD	100%	$0.2663	$0.2896	$0.2888	8.77%	8.45%
11	LG HD	100%	$0.2524	$0.2783	$0.2648	10.26%	4.93%
12	LG HD	75%	$0.4208	$0.4531	$0.4695	7.69%	11.58%
13	LG HD	100%	$0.1447	$0.1634	$0.1501	12.90%	3.73%
14	LG HD	95%	$0.2570	$0.2827	$0.2703	9.99%	5.17%
15	LG HD	100%	$0.2723	$0.3041	$0.3116	11.68%	14.40%
16	LG HD	100%	$0.1985	$0.2243	$0.2196	13.01%	10.66%
17	LG HD	100%	$0.3407	$0.3737	$0.3807	9.68%	11.75%
18	LG HD	100%	$0.2451	$0.2706	$0.2671	10.41%	8.95%
19	LG HD	100%	$0.2061	$0.2287	$0.2133	10.98%	3.49%
20	LG HD	90%	$0.2833	$0.3108	$0.3143	9.70%	10.95%
21	LG HD	100%	$0.5709	$0.6109	$0.6107	7.00%	6.98%
22	LG HD	100%	$0.1331	$0.1588	$0.1349	19.30%	1.29%
23	LG HD	14%	$0.4207	$0.4618	$0.5031	9.77%	19.59%
24	LG HD	99%	$0.3341	$0.3674	$0.3720	9.98%	11.35%
25	LG HD	100%	$0.2640	$0.2923	$0.2989	10.73%	13.24%
26	LG HD	100%	$0.1588	$0.1820	$0.1591	14.56%	0.15%
27	LG HD	64%	$0.4581	$0.4952	$0.5197	8.08%	13.44%
28	LG HD	100%	$0.2770	$0.3065	$0.3136	10.65%	13.19%
29	LG HD	100%	$0.2407	$0.2673	$0.2679	11.03%	11.30%
30	LG HD	100%	$0.3060	$0.3340	$0.3204	9.17%	4.72%
31	LG HD	6%	$0.5879	$0.6344	$0.6780	7.91%	15.33%
32	LG HD	100%	$0.2314	$0.2561	$0.2551	10.65%	10.24%
33	LG HD	100%	$0.2680	$0.2965	$0.2937	10.63%	9.60%
34	LG HD	100%	$0.1732	$0.1959	$0.1900	13.10%	9.66%
35	LG HD	100%	$0.2967	$0.3265	$0.3318	10.04%	11.84%
36	LG HD	100%	$0.1992	$0.2215	$0.2295	11.19%	15.18%
37	LG HD	100%	$0.2356	$0.2592	$0.2422	9.98%	2.77%
38	LG HD	100%	$0.2245	$0.2422	$0.2443	7.88%	8.84%
39	LG HD	0%	$0.2720	$0.3005	$0.3385	10.48%	24.47%
40	LG HD	100%	$0.3341	$0.3779	$0.3917	13.10%	17.22%
41	LG HD	28%	$0.4622	$0.5246	$0.5608	13.51%	21.32%
42	LG HD	100%	$0.2430	$0.2662	$0.2528	9.54%	4.00%
43	LG HD	100%	$0.3716	$0.4196	$0.4204	12.93%	13.15%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
44	LG HD	100%	$0.2713	$0.2989	$0.3093	10.19%	14.01%
45	LG HD	100%	$0.2597	$0.2836	$0.2848	9.20%	9.64%
46	LG HD	100%	$0.9163	$1.0490	$1.1107	14.48%	21.22%
47	LG HD	100%	$0.2463	$0.2705	$0.2542	9.85%	3.23%
48	LG HD	100%	$0.2168	$0.2408	$0.2365	11.08%	9.12%
49	LG HD	100%	$0.2465	$0.2758	$0.2822	11.91%	14.49%
50	LG HD	100%	$0.4307	$0.4851	$0.4883	12.64%	13.38%
51	LG LD	100%	$0.2575	$0.2852	$0.2864	10.75%	11.19%
52	LG LD	100%	$0.2686	$0.2960	$0.2980	10.21%	10.97%
53	MD HD	6%	$0.4561	$0.4964	$0.5519	8.84%	21.02%
54	MD HD	100%	$0.2544	$0.2794	$0.2727	9.83%	7.19%
55	MD HD	35%	$0.5515	$0.6143	$0.6620	11.37%	20.03%
56	MD HD	100%	$0.2525	$0.2792	$0.2780	10.60%	10.08%
57	MD HD	100%	$0.2973	$0.3303	$0.3405	11.12%	14.52%
58	MD HD	100%	$0.2606	$0.2855	$0.2709	9.55%	3.95%
59	MD HD	100%	$0.3860	$0.4155	$0.4166	7.64%	7.91%
60	MD HD	100%	$0.2353	$0.2654	$0.2780	12.76%	18.14%
61	MD HD	100%	$0.2585	$0.2871	$0.2833	11.06%	9.59%
62	MD HD	100%	$0.4116	$0.4605	$0.4713	11.89%	14.51%
63	MD HD	0%	$0.2182	$0.2466	$0.3218	12.99%	47.46%
64	MD HD	100%	$0.4205	$0.4515	$0.4457	7.38%	6.00%
65	MD HD	0%	$0.4046	$0.4534	$0.5163	12.05%	27.60%
66	MD HD	100%	$0.1763	$0.2005	$0.1890	13.74%	7.23%
67	MD HD	0%	$0.3196	$0.3525	$0.3919	10.28%	22.63%
68	MD HD	0%	$0.1974	$0.2223	$0.2201	12.64%	11.50%
69	MD HD	0%	$0.2154	$0.2378	$0.2467	10.42%	14.57%
70	MD HD	100%	$0.2170	$0.2453	$0.2547	13.01%	17.34%
71	MD HD	100%	$0.2470	$0.2719	$0.2686	10.07%	8.72%
72	MD HD	100%	$0.2290	$0.2496	$0.2508	8.98%	9.51%
73	MD HD	100%	$0.4431	$0.4914	$0.4917	10.89%	10.96%
74	MD HD	94%	$0.5569	$0.6030	$0.6093	8.27%	9.39%
75	MD HD	0%	$0.2760	$0.3086	$0.3529	11.82%	27.86%
76	MD HD	100%	$0.1941	$0.2115	$0.2119	8.93%	9.14%
77	MD HD	100%	$0.2027	$0.2217	$0.2236	9.38%	10.31%
78	MD HD	99%	$0.2255	$0.2496	$0.2479	10.68%	9.92%
79	MD HD	0%	$0.2850	$0.3162	$0.3598	10.94%	26.23%
80	MD HD	100%	$0.2806	$0.3126	$0.3175	11.42%	13.17%
81	MD HD	100%	$0.2342	$0.2606	$0.2578	11.26%	10.05%
82	MD HD	100%	$0.2292	$0.2521	$0.2547	9.99%	11.13%
83	MD HD	100%	$0.4397	$0.4722	$0.4688	7.39%	6.61%
84	MD HD	0%	$0.6428	$0.7321	$0.8035	13.90%	25.01%
85	MD HD	100%	$0.2834	$0.3200	$0.3317	12.92%	17.05%
86	MD HD	0%	$0.2867	$0.3181	$0.3563	10.95%	24.27%
87	MD HD	100%	$0.2489	$0.2717	$0.2682	9.17%	7.75%
88	MD HD	0%	$0.2877	$0.3161	$0.3543	9.89%	23.15%
89	MD HD	100%	$0.2309	$0.2638	$0.2789	14.20%	20.78%
90	MD HD	0%	$0.2560	$0.2848	$0.3126	11.26%	22.14%
91	MD HD	100%	$0.2363	$0.2623	$0.2607	10.99%	10.32%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
92	MD HD	29%	$0.5119	$0.6044	$0.6695	18.06%	30.78%
93	MD HD	100%	$0.2186	$0.2451	$0.2420	12.14%	10.70%
94	MD HD	100%	$0.2316	$0.2577	$0.2564	11.27%	10.67%
95	MD HD	100%	$0.2296	$0.2563	$0.2531	11.65%	10.22%
96	MD HD	100%	$0.2277	$0.2526	$0.2498	10.94%	9.72%
97	MD HD	100%	$0.4341	$0.4952	$0.5000	14.08%	15.20%
98	MD HD	100%	$0.4731	$0.5370	$0.5477	13.50%	15.77%
99	MD HD	100%	$0.2220	$0.2471	$0.2446	11.27%	10.18%
100	MD HD	100%	$0.2691	$0.3036	$0.3165	12.83%	17.64%
101	MD HD	0%	$0.2773	$0.3073	$0.3496	10.83%	26.06%
102	MD HD	0%	$0.4184	$0.4788	$0.5468	14.43%	30.68%
103	MD LD	100%	$0.4783	$0.5355	$0.5370	11.96%	12.29%
104	MD LD	100%	$0.2514	$0.2781	$0.2788	10.60%	10.89%
105	MD LD	0%	$0.6452	$0.7100	$0.7814	10.05%	21.11%
106	MD LD	0%	$0.2733	$0.3017	$0.3373	10.41%	23.44%
107	MD LD	100%	$0.3014	$0.3441	$0.3528	14.18%	17.07%
108	MD LD	100%	$0.4040	$0.4594	$0.4717	13.70%	16.76%
109	MD LD	100%	$0.2461	$0.2720	$0.2712	10.54%	10.19%
110	MD LD	0%	$0.3605	$0.4142	$0.5041	14.91%	39.84%
111	MD LD	100%	$0.2424	$0.2664	$0.2690	9.88%	10.97%
112	MD LD	100%	$0.3246	$0.3656	$0.3785	12.64%	16.61%
113	MD LD	100%	$0.2261	$0.2507	$0.2507	10.88%	10.88%
114	MD LD	0%	$0.6560	$0.7312	$0.8179	11.47%	24.68%
115	MD LD	0%	$0.4067	$0.4682	$0.4394	15.12%	8.04%
116	MD LD	0%	$0.2793	$0.3101	$0.3583	11.03%	28.30%
117	MD LD	100%	$0.2365	$0.2620	$0.2653	10.74%	12.14%
118	MD LD	100%	$0.2527	$0.2792	$0.2818	10.45%	11.49%
119	MD LD	0%	$0.2786	$0.3098	$0.3602	11.21%	29.28%
120	MD LD	0%	$0.4058	$0.4680	$0.5662	15.34%	39.54%
121	MD LD	0%	$0.3595	$0.4196	$0.5249	16.70%	46.01%
122	MD LD	100%	$0.2568	$0.2844	$0.2908	10.75%	13.25%
123	MD LD	0%	$0.4253	$0.4870	$0.5776	14.51%	35.81%
124	MD LD	100%	$0.2316	$0.2585	$0.2550	11.62%	10.10%
125	MD LD	100%	$0.2565	$0.2839	$0.2865	10.66%	11.67%
126	MD LD	100%	$0.3820	$0.4419	$0.4528	15.70%	18.54%
127	MD LD	100%	$0.2751	$0.3139	$0.3323	14.11%	20.80%
128	MD LD	100%	$0.3436	$0.3938	$0.4092	14.61%	19.09%
129	MD LD	100%	$0.2797	$0.3251	$0.3445	16.24%	23.17%
130	MD LD	0%	$0.4926	$0.5487	$0.5735	11.39%	16.42%
131	MD LD	100%	$0.2531	$0.2799	$0.2831	10.60%	11.88%
132	MD LD	100%	$0.2404	$0.2678	$0.2657	11.40%	10.50%
133	MD LD	100%	$0.2312	$0.2558	$0.2581	10.63%	11.62%
134	MD LD	100%	$0.3258	$0.3752	$0.3938	15.17%	20.86%
135	MD LD	100%	$0.2759	$0.3052	$0.3072	10.62%	11.36%
136	MD LD	100%	$0.1821	$0.2016	$0.2059	10.69%	13.05%
137	MD LD	99%	$0.2696	$0.2968	$0.3048	10.11%	13.07%
138	MD LD	100%	$0.4745	$0.5407	$0.5507	13.94%	16.05%
139	MD LD	100%	$0.2544	$0.2813	$0.2779	10.57%	9.25%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
140	MD LD	100%	$0.2302	$0.2560	$0.2519	11.23%	9.44%
141	MD LD	100%	$0.2686	$0.2960	$0.2981	10.22%	10.98%
142	MD LD	100%	$0.2674	$0.2940	$0.2997	9.94%	12.06%
143	MD LD	100%	$0.2255	$0.2525	$0.2500	11.94%	10.85%
144	MD LD	100%	$0.2474	$0.2732	$0.2699	10.41%	9.09%
145	MD LD	100%	$0.2448	$0.2679	$0.2652	9.42%	8.31%
146	MD LD	100%	$0.2372	$0.2624	$0.2640	10.64%	11.32%
147	MD LD	100%	$0.2224	$0.2474	$0.2441	11.26%	9.79%
148	MD LD	100%	$0.2237	$0.2432	$0.2459	8.69%	9.90%
149	MD LD	100%	$0.3510	$0.3854	$0.3981	9.81%	13.43%
150	MD LD	100%	$0.2550	$0.2820	$0.2846	10.58%	11.60%
151	MD LD	100%	$0.2613	$0.2867	$0.2943	9.71%	12.65%
152	MD LD	0%	$0.3332	$0.3814	$0.4646	14.44%	39.42%
153	SM HD	100%	$0.2460	$0.2659	$0.2627	8.13%	6.79%
154	SM HD	100%	$0.3769	$0.4373	$0.3977	16.01%	5.52%
155	SM HD	100%	$0.4214	$0.4932	$0.4511	17.05%	7.05%
156	SM LD	100%	$0.2999	$0.3566	$0.3792	18.90%	26.45%
157	SM LD	100%	$0.4095	$0.4665	$0.4678	13.91%	14.24%
158	SM LD	0%	$0.6645	$0.7529	$0.7854	13.30%	18.19%
159	SM HD	100%	$0.2808	$0.3129	$0.2941	11.45%	4.75%
160	SM HD	100%	$0.2263	$0.2526	$0.2508	11.62%	10.84%
161	SM HD	100%	$0.3361	$0.3881	$0.4051	15.48%	20.53%
162	SM HD	100%	$0.1751	$0.1992	$0.1923	13.75%	9.82%
163	SM HD	100%	$0.3311	$0.3830	$0.4011	15.67%	21.14%
164	SM HD	100%	$0.2157	$0.2412	$0.2359	11.79%	9.35%
165	SM HD	100%	$0.2142	$0.2420	$0.2548	13.00%	18.99%
166	SM HD	100%	$0.3237	$0.3792	$0.3937	17.14%	21.62%
167	SM HD	0%	$0.6914	$0.8003	$0.8926	15.74%	29.10%
168	SM HD	100%	$0.1462	$0.1641	$0.1581	12.22%	8.16%
169	SM HD	0%	$0.7171	$0.8373	$0.9916	16.76%	38.28%
170	SM HD	100%	$0.2329	$0.2668	$0.2667	14.53%	14.50%
171	SM HD	100%	$0.3663	$0.4426	$0.4691	20.84%	28.08%
172	SM HD	100%	$0.2790	$0.3229	$0.3448	15.75%	23.57%
173	SM HD	100%	$0.1696	$0.1924	$0.2123	13.44%	25.18%
174	SM HD	100%	$0.2420	$0.2730	$0.2727	12.82%	12.68%
175	SM HD	100%	$0.2518	$0.2861	$0.3046	13.64%	20.95%
176	SM HD	100%	$0.1958	$0.2253	$0.2366	15.05%	20.82%
177	SM HD	0%	$0.7049	$0.7971	$0.8398	13.08%	19.14%
178	SM HD	100%	$0.1835	$0.1992	$0.1975	8.55%	7.59%
179	SM HD	100%	$0.3022	$0.3534	$0.3625	16.95%	19.96%
180	SM HD	0%	$0.5298	$0.5782	$0.5568	9.15%	5.09%
181	SM HD	0%	$0.6094	$0.7322	$0.7981	20.14%	30.95%
182	SM HD	100%	$0.2183	$0.2349	$0.2269	7.62%	3.93%
183	SM HD	100%	$0.3714	$0.4336	$0.4295	16.75%	15.64%
184	SM HD	100%	$0.2162	$0.2476	$0.2760	14.50%	27.65%
185	SM HD	100%	$0.2536	$0.2948	$0.2960	16.24%	16.71%
186	SM HD	100%	$0.2638	$0.3008	$0.3229	14.02%	22.39%
187	SM HD	100%	$0.2400	$0.2718	$0.2777	13.26%	15.70%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
188	SM HD	100%	$0.2313	$0.2785	$0.3161	20.39%	36.66%
189	SM HD	0%	$0.3110	$0.3548	$0.4101	14.09%	31.88%
190	SM HD	100%	$0.4226	$0.4861	$0.4629	15.03%	9.54%
191	SM HD	100%	$0.2738	$0.3183	$0.3302	16.25%	20.59%
192	SM HD	100%	$0.2709	$0.3126	$0.3339	15.38%	23.28%
193	SM HD	100%	$0.2996	$0.3538	$0.3546	18.10%	18.35%
194	VS HD	100%	$0.2387	$0.2790	$0.3129	16.84%	31.06%
195	VS HD	100%	$0.4422	$0.5030	$0.4563	13.75%	3.19%
196	VS HD	0%	$0.3033	$0.3597	$0.4408	18.58%	45.33%
197	VS HD	100%	$0.4118	$0.4807	$0.5150	16.73%	25.07%
198	VS HD	100%	$0.3046	$0.3451	$0.2863	13.30%	-5.99%
199	VS HD	0%	$0.6878	$0.8308	$0.9656	20.80%	40.39%
200	VS HD	100%	$0.3300	$0.3699	$0.3323	12.10%	0.71%
201	VS HD	100%	$0.2503	$0.2969	$0.3242	18.62%	29.56%
202	VS HD	0%	$0.3489	$0.4008	$0.4640	14.88%	32.97%
203	VS HD	100%	$0.2950	$0.3378	$0.3292	14.53%	11.61%
204	VS HD	0%	$0.2162	$0.2566	$0.3102	18.69%	43.48%
205	VS HD	0%	$0.3671	$0.4388	$0.5820	19.52%	58.53%
206	VS HD	100%	$0.3712	$0.4429	$0.4016	19.33%	8.20%
207	VS HD	0%	$0.3037	$0.3531	$0.3995	16.26%	31.54%
208	VS HD	0%	$0.3246	$0.3808	$0.4447	17.33%	37.00%
209	VS HD	100%	$0.2869	$0.3705	$0.3568	29.14%	24.37%
210	VS HD	0%	$0.3359	$0.3980	$0.4646	18.50%	38.32%
211	SM LD	100%	$0.2565	$0.2985	$0.3185	16.36%	24.19%
212	SM LD	100%	$0.4068	$0.4642	$0.4722	14.12%	16.10%
213	SM LD	100%	$0.2964	$0.3421	$0.3595	15.42%	21.29%
214	SM LD	100%	$0.2836	$0.3290	$0.3369	16.02%	18.81%
215	SM LD	100%	$0.6218	$0.7043	$0.6795	13.28%	9.29%
216	SM LD	100%	$0.4154	$0.4846	$0.5014	16.67%	20.73%
217	SM LD	100%	$0.4252	$0.4905	$0.4992	15.38%	17.42%
218	SM LD	100%	$0.3361	$0.3924	$0.4057	16.75%	20.71%
219	SM LD	100%	$0.4368	$0.5096	$0.5168	16.68%	18.32%
220	SM LD	100%	$0.2886	$0.3366	$0.3547	16.61%	22.89%
221	SM LD	100%	$0.4023	$0.4640	$0.4734	15.34%	17.67%
222	SM LD	100%	$0.8377	$0.9434	$0.9206	12.62%	9.89%
223	SM LD	100%	$0.3086	$0.3458	$0.3518	12.07%	14.00%
224	SM LD	100%	$0.4566	$0.5166	$0.5123	13.14%	12.19%
225	SM LD	100%	$0.3374	$0.3940	$0.4024	16.78%	19.26%
226	SM LD	100%	$0.2972	$0.3509	$0.3558	18.08%	19.74%
227	SM LD	100%	$0.3953	$0.4574	$0.4449	15.70%	12.53%
228	SM LD	0%	$0.7731	$0.9208	$0.9735	19.11%	25.92%
229	SM LD	0%	$0.5194	$0.6121	$0.7022	17.86%	35.20%
230	SM LD	100%	$0.3547	$0.4145	$0.4193	16.86%	18.22%
231	SM LD	100%	$0.2565	$0.3040	$0.3139	18.54%	22.40%
232	SM LD	100%	$0.3145	$0.3706	$0.3623	17.85%	15.20%
233	SM LD	0%	$0.5883	$0.6865	$0.7413	16.69%	26.01%
234	SM LD	0%	$0.5931	$0.6914	$0.7505	16.57%	26.53%
235	VS LD	100%	$0.2550	$0.2974	$0.2946	16.61%	15.52%

Publication Number	Stratum	Percent Machinable	Postage/Piece			Percent Increase	
			R2005-1	Tang	Mitchell	Tang	Mitchell
236	VS LD	100%	$0.3068	$0.3544	$0.3371	15.53%	9.91%
237	VS LD	100%	$0.3529	$0.3997	$0.3490	13.28%	-1.11%
238	VS LD	100%	$0.5202	$0.5782	$0.5206	11.14%	0.07%
239	VS LD	100%	$0.3689	$0.4178	$0.3819	13.25%	3.53%
240	VS LD	100%	$0.3526	$0.3963	$0.3525	12.39%	-0.02%
241	VS LD	0%	$0.3823	$0.4438	$0.5067	16.11%	32.55%
242	VS LD	100%	$0.5469	$0.6254	$0.5729	14.34%	4.75%
243	VS LD	100%	$0.6337	$0.7101	$0.6444	12.06%	1.70%
244	VS LD	100%	$0.3880	$0.4420	$0.3672	13.93%	-5.34%
245	VS LD	100%	$0.3540	$0.3968	$0.3690	12.10%	4.23%
246	VS LD	100%	$0.4554	$0.5192	$0.4655	14.00%	2.21%
247	VS LD	100%	$0.3998	$0.4642	$0.4095	16.12%	2.43%
248	VS LD	100%	$0.3617	$0.4232	$0.3765	17.01%	4.10%
249	VS LD	100%	$0.3671	$0.4329	$0.4032	17.92%	9.84%
250	VS LD	100%	$0.4156	$0.4819	$0.4210	15.94%	1.29%
251	VS LD	100%	$0.4219	$0.4893	$0.4577	15.97%	8.48%
252	VS LD	0%	$0.4379	$0.5100	$0.6229	16.45%	42.24%
253	VS LD	100%	$0.2426	$0.3077	$0.2934	26.83%	20.91%
254	VS LD	100%	$0.4388	$0.5203	$0.4942	18.57%	12.62%
255	VS LD	0%	$0.5172	$0.6164	$0.7384	19.18%	42.77%
256	VS LD	100%	$0.4961	$0.6037	$0.5858	21.68%	18.08%
257	VS LD	0%	$0.5927	$0.7002	$0.7663	18.14%	29.30%
258	VS LD	100%	$0.4528	$0.6508	$0.6625	43.73%	46.31%
259	VS LD	100%	$0.3130	$0.3867	$0.3099	23.54%	-1.01%

R2006-1

United Parcel Service

Institutional

RESPONSE OF UNITED PARCEL SERVICE TO
FOLLOW-UP INTERROGATORY OF UNITED STATES POSTAL SERVICE
REDIRECTED FROM UNITED PARCEL SERVICE WITNESS GEDDES

USPS/UPS-T3-7. Please refer to your response to USPS/UPS-T3-4(d), filed on October 18, 2006. The instructions to the interrogatory included the following:

> If witness Geddes is unable to answer a question, or subpart of a question, the Postal Service requests that the interrogatory be redirected to another witness or to United Parcel Service as an institution.

USPS/UPS-T3-4(d) read:

> d. While Priority Mail volume was declining by 30.5 percent, by how much did UPS volume in the total (ground and air, combined) 2- and 3-day package and document delivery market change from 2000 to 2004? Please provide your response both in absolute and percentage terms.

Your response to this interrogatory read:

> d. I have not been asked to examine UPS's volume data, and therefore I do not have it.

Please, in accordance with the instructions, redirect this interrogatory to another witness, or to United Parcel Service as an institution, for a response to the question posed in USPS/UPS-T3-4(d).

RESPONSE:

It is unclear what is meant by "the total (ground and air, combined) 2- and 3-day package and document delivery market," especially in light of the reference to "ground and air, combined." In an effort to be responsive, the volume figures presented below represent UPS volume for the "deferred" and the ground parcel markets. In addition, UPS operates on the basis of a calendar year. Thus, the information below is for the calendar year indicated.

RESPONSE OF UNITED PARCEL SERVICE TO
FOLLOW-UP INTERROGATORY OF UNITED STATES POSTAL SERVICE
REDIRECTED FROM UNITED PARCEL SERVICE WITNESS GEDDES

Average Daily Volume Change from Prior Year (000s)

	2001	2002	2003	2004
UPS Deferred	3	-22	23	-8
UPS Ground	-117	-205	156	408
Combined	-114	-227	179	400

Volume Change from Prior Year (%)

	2001	2002	2003	2004
UPS Deferred	0.3%	-2.4%	2.6%	-0.9%
UPS Ground	-1.1%	-2.0%	1.5%	4.0%
Combined	-1.0%	-2.0%	1.6%	3.6%

R2006-1

United States Postal Service

Abdulkadir Abdirahman
(USPS-T-22)

REVISED RESPONSE OF U.S. POSTAL SERVICE WITNESS ABDIRAHMAN
(USPS-T-22) TO PRESIDING OFFICER'S INFORMATION REQUEST
(POIR) No.8 QUESTION 15 (d)

15. Please refer to USPS-T-32, pages 20-21, where the rationale for the proposal to eliminate the automation carrier route presort discount for First-Class letters is presented. Witness Taufique states that the "current and future processing of letter-shaped mail requires delivery point sequencing of mail at destinating Processing and Distribution Centers." He further explains that "fewer delivery units have Carrier Sequence Bar Code Sorter (CSBCS) equipment" and "[w]hen CSBCS equipment is removed from the remaining delivery units, all of this mail will be merged in the 5-Digit Automation rate category[.]"

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d. USPS-LR-L-141 (which utilizes PRC cost attribution methodology) shows an estimated savings of 1.237 cents per piece for First-Class automation carrier route presort letters as compared to automation 5-digit presort letters at CSBCS/manual sites. Please present a parallel estimate of savings for automation carrier route presort letters using the Postal Service's proposed costing methodology.

RESPONSE:

(d) Library Reference USPS-LR-L-141, revised on August 23, 2006, shows an estimated savings of 1.294 cents per piece for First-Class automation carrier route presort letters as compared to automation 5-digit presort letters at CSBC/manual sites. The parallel estimate of savings for automation carrier route presort letters using the Postal Service's costing methodology is 1.136 cents per piece.

R2006-1

United States Postal Service

Michael D. Bradley
(USPS-T-17)

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

1. The Response of Postal Service Witness Michael D. Bradley (USPS-T-17) to Presiding Officer's Information Request No. 7, Question 6, states that as a courtesy to the Commission, he will set the value for "item" to zero whenever "quantity" is equal to zero, and run his various window service regressions with this condition in place.
   a. Were observations deleted from these regressions in all instances where "item" was set to zero when "quantity" was equal to zero?
   b. If not, please explain why not.

Response:

a. No.

b. To understand why it was appropriate to include these observations, please recall that question 6 was the last of a series of interrogatories referring to what was thought to be an "anomaly" -- a value for items that was positive when the value for the quantity was zero. However, as I attempted to explain in my response to Presiding Officer's Information Request No. 7, Question 4, this is not a data error or "anomaly" but rather a reflection of certain types of transactions:[1]

> A zero value for a window service item means that there was a transactional activity for an item, although no quantity was ultimately purchased. Examples of non-purchase transaction activities include an inquiry about the product, an acceptance of a previously stamped product, or a customer refusing to purchase the product after an initial intent of purchase. Such a transaction is valid and is not an anomaly. In these instances, there was a transaction in which window time was incurred but no products were purchased.

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[1] See, Response of Postal Service Witness of Michael D. Bradley to Presiding Officer's Information Request No. 7, Question 4.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

Moreover, as I tried to indicate in my response to Presiding Officer's Information Request No. 7, Question 5, these are valid transactions and are included in the regression data base. Given that they these are valid transactions and that the concern is about the values for one of the variables -- that the "item" variable has a positive value when it "should" be zero -- it seemed to me that the appropriate way to deal with concern was to correct the value for the variable at issue and to re-estimate the regressions including the corrected values.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

2. In, Docket No. R90-1, USPS-T-6, page 6, line 15, witness LaMorte defined transactions associated with demand-side variability as "...a *visit* to a Post Office." The time associated with a visit to a Post Office could therefore possibly include the time a clerk waits for a customer ("wait time"), and the time a customer walks to the counter ("walk time").
   a. Please discuss whether and why the definition of transaction on page 6 of witness LaMorte's testimony is consistent with the measurement of the variable "time" that witness Bradley used to estimate transaction-side variabilities in his proposed Window Service study.
   b. Based on the Postal Service's understanding of witness LaMorte's definition of demand-side transactions on page 6, would it be more consistent to measure the variable "time" presented in USPS-LR-L-80 by omitting "walk time" and "wait time"; by including "walk time" but not "wait time"; or by including both "walk time" and "wait time" in the dependent variable "time?" Please explain your answer.

Response:

a. My understanding is that witness LaMorte's used the term "visit" as a synonym for the term "transaction" as it is currently defined. For example, I found this discussed later in Witness LaMorte's testimony:[2]

> As indicated earlier, a transaction occurs every time a customer visits a postal window. The length of the transaction includes the time from the first contact between the clerk and the customer, which may be verbal or non-verbal, until the clerk has completed the duties associated with the transaction. The duration of the transaction, then, is the period of time that the clerk is occupied with the customer's needs.

I also found a section in which witness LaMorte's was discussion transactions on the supply side and referred to them as "visits":[3]

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[2] See, Direct Testimony of Michele M. LaMorte on Behalf of the United States Postal Service, Docket No. R90-1, at 16.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

> The transaction supply-side variability associated with these new transactions is 100%, because the increase is clerk processing time is proportionate to the increase in transactions, or visits to the post office.

This linkage was also apparently explained by witness Brehm in Docket No. R97-1:[4]

> The first indirect effect of a change in postage volume is the demand side effect, which measures the degree to which a change in mail volume changes the number and type of transactions. This variability, which is expressed as a percentage change in transactions cause by a percentage change in mail volume, is less than our equal to one because customers my not necessarily increase their visits to the post office in response to an increase in mail volume. Instead, they may increase the number of services purchased during each trip to the post office.
>
> In Docket No. R90-1, the estimate for the demand side effect was based upon two different models of customer behavior. The first model, the fixed size transaction model, held that consumers purchase a fixed amount of postage in each transaction. Therefore, an increase in mail volume caused an increase in transactions, or visits to the post office.

b. Based upon the way the witnesses LaMorte and Witness Brehm defined demand side transactions, it would be most consistent to exclude both walk time and waiting time. For example, witness LaMorte indicates that a transaction includes "service time" (the time required for sale itself) and "set up time" (the time for the

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[3] See, Direct Testimony of Michele M. LaMorte on Behalf of the United States Postal Service, Docket No. R90-1, at 16.

[4] See, Direct Testimony of Christopher S. Brehm on Behalf of the United States Postal Service, USPS-T-21, Docket No. R97-1 at 3.

greeting, payment and good-bye).[5] She thus excludes both walk time and waiting time from her definition of a transaction. The same is true for witness Brehm in Docket No. R90-1.

This definition is appropriate because waiting time is a separate cost pool measured by IOCS and thus should not be included in the transaction time cost pool. Walk time should be excluded from transaction time for the same reason, but as OCA witness Smith showed, it is so small that its inclusion has no impact on the estimated variabilities.

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[5] See, Direct Testimony of Michele M. LaMorte on Behalf of the United States Postal Service, Docket No. R90-1, at 21.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

3. In, Docket No. R90-1, USPS-T-6, witness LaMorte also stated on page 16, lines 7-9 that "[t]he Postal Service based its approach for estimating demand-side variability of postage *sales* on customer purchasing behavior." If the answer to question 1a. above is "negative," please discuss whether and why this definition of transaction on page 16 is consistent with witness Bradley's decision to retain observations in his regression analyses where a customer engaged a postal clerk, but failed to purchase a service.

Response:

I believe that the definition of transactions used by the Postal Service in this case, including the possibility of non-sale transactions, is consistent with the approach witness LaMorte used in calculating a demand-side variability. One reason I think this definition is consistent is because witness LaMorte relied upon a very similar definition of a *transaction later in her own analysis*. The complete sentence from which the quotation was taken reads as:[6]

> In Docket No. R77-1, the Postal Service based its approach for estimating [the] demand-sided variability for postage sales on postal customer purchasing behavior.

Two points are revealed by reviewing the complete quotation. First, witness LaMorte was apparently not describing the Postal Service analysis in Docket R90-1, but rather was providing some historical context by describing what had been done in an earlier case.[7] Second, the quotation actually refers to the demand-side variability used for postage sales, not the variability of postage sales. In other words, witness LaMorte is describing the demand-side variability that was applied to postage *sales, not an* estimated variability which was derived from an analysis of actual postal sales. In fact,

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[6] See, Direct Testimony of Michele M. LaMorte on Behalf of the United States Postal Service, Docket No. R90-1, at 16.

[7] A review of the subsequent text suggests that Witness LaMorte may have actually been referring to Docket No. R87-1

**Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24**

her testimony indicates the variability was derived not from actual postage sales but from a survey of self-described postal customer behavior. There is nothing in the survey structure to preclude the possibility that one of anticipated transactions may not come to a sale because, say, the customer forgot his or her money or the post office visited did not have a particular stamp in stock on that day. A certain customer could well describe himself or herself as a "fixed interval" or a "fixed purchase" customer even if they had had a non-sale transaction in the past, or anticipated having one in the future. As a result, it is my understanding (and apparently witness Brehm's in Docket No. R97-1) that witness LaMorte's used the term "sales" to represent what we currently call "transactions."

Also, I think it is important to keep some perspective on this issue. Please recall that the demand-side variability applies only to stamp transactions. Of the 7,915 transactions included in the "Wscleanpos" data set, only there were only 13 bulk stamp and 5 non-bulk stamp transactions for which there was no service purchased. Thus, there are only 18 transactions out of 7,915 where this issue of consistency arises, so for 99.8 percent of the transactions, the issue does not arise. Whatever the theoretical issues of consistency, the numbers make clear that there is no material issue for the actual measurement of the relevant variabilities.

On a theoretical basis, it is not clear that witness LaMorte considered the fact that in the normal course of events there will be transactions for a product that do not result in a sale at that time. This does not mean that the information gained in the transaction does not facilitate sales of the particular item in the future. For example, the information gained about an Express Mail service might encourage the customer to use the Express Mail service in the future. The transaction time study has become more sophisticated and, in this case, it has been significantly enhanced by the use of POS-One register data. As the supply side variability has been improved, it may be time to go back and examine if the demand side variability should also be updated.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

Finally, it is my understanding that in this case, as in previous dockets, the time associated with each product comes from IOCS, not from the transaction time study. Thus the only possible place this consistency issue could arise is in the measure of variability.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

4. Should the definition of transaction used by witness LaMorte to estimate demand-side variabilities be consistent with the definition of transaction and transaction time used to estimate transaction-side variabilities in witness Bradley's proposed Window Service Study if the multiplication of "Network," "Demand," and "Transaction," variabilities is to produce a correct estimate of the variability of window service clerk cost in response to a change in mail volume? If not, please explain why not.

Response:

In a theoretical model, consistency among definitions ensures that unit volume variable costs produce a measure of marginal cost. As demonstrated by witness Brehm in Docket No. R97-1, the established model (the Postal Service and the Postal Rate Commission use the same model) has such consistency.[8] As I use the same definition of a transaction as witness Brehm, my testimony makes no change in that property.

In actual measurement, some inconsistency could be tolerated if it is not material. Because measuring volume variable costs incurs real resource costs, there could be instances in which an existing measurement of cost of an existing data set could provide an acceptably accurate measurement of volume variable costs even though those costs or data are not 100 percent consistent with some other part of the cost measurement.

[8] See, Direct Testimony of Christopher S. Brehm on Behalf of the United States Postal Service, USPS-T-21, Docket No. R97-1 at 7.

Response of Postal Service Witness Michael D. Bradley (USPS-T-17)
To Presiding Officer's Information Request No. 24

5. Please explain the reason the following variables were excluded from witness Bradley's econometric estimation of window service transaction times, even though there was at least one transaction associated with each of them: "other," "phone," and "err."

Response:

Please first note that "other" was included in my econometric analysis. Please see Section E.4. of my testimony which is entitled, "Including an "Other" Term."[9] The variable "phone" refers to phone cards. This variable was excluded because it is a non postal product for which no variability is required and it occurs with a very low frequency. I would suggest that including it in the equation will have no material impact on the recommended variabilities. The final variable mentioned, "err," refers to electronic return receipt. This variable occurs only once in the data set, in a multiple item, multiple quantity transaction. I would suggest that including it in the equation will have no material impact on the recommended variabilities.

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[9] See, Direct Testimony of Michael D. Bradley On Behalf of the United States Postal Service, USPS-T-17 at 36.

R2006-1

United States Postal Service

Joyce K. Coombs
(USPS-T-44)

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORY OF UPS, REDIRECTED FROM WITNESS KIEFER (USPS-T-37)

UPS/USPS-T-37-6
Describe in detail all differences in the processing and delivery of Priority Mail pieces and Parcel Post pieces upon reaching the DDU.

RESPONSE:

Priority Mail that consists of flat-shaped pieces is received at the DDU in the same mail stream as First Class flat-shaped pieces and is handled and delivered with the same urgency as the First Class letter-shaped and flat-shaped pieces. This mail is received in the dispatch of value and is always disseminated and delivered on the day that it reaches the DDU in order to make the Priority Mail service commitment.

Priority Mail that consists of parcel-shaped pieces is generally received at the unit from the processing facility in isolated All Purpose Containers (APCs). It is immediately processed by the clerks in the DDU, and distributed for delivery to the carrier's case or loading hamper on the day that it is received, in order to make the Priority Mail service commitment. The unique markings of Priority Mail assist the DDU personnel in identifying and processing the pieces for immediate delivery, which has contributed to service level achievements.

Parcel Post pieces are received from the processing facility in APCs or parcel sacks at the DDU and, depending on operational resources, are distributed for delivery by the clerks at the DDU into the carrier's loading hamper.

R2006-1

United States Postal Service

Richard G. Loutsch
(USPS-T-6)

RESPONSE OF POSTAL SERVICE WITNESS LOUTSCH (USPS-T- 6) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 6
Modified November 21, 2006

6. Please provide revised "D" reports (Exhibit USPS-10M), for both the USPS and PRC versions, which include the revised final adjustments provided in response to the previous question.

RESPONSE:

The requested revised "D" Reports (Exhibit USPS-10M) are provided on the following pages.

Modified November 21, 2006

Development of Cost by Segment and Component -
R2006-1 - Fiscal Year 2006 - POIR16
D Report

Component Name / *Component Number* / *Cost Segment*		Total Volume Variable (460)	Final Adjustments (501)	RF Final Adjustments (506)	Adjusted Volume Variable Costs (504)	Contingency (503)	Total Including Contingency (502)
First-Class Mail							
Single Piece Letters	101	11,286,414	0	0	11,286,414	0	11,286,414
Presort Letters	102	5,116,601	0	-18,326	5,098,275	0	5,098,275
Total Letters	103	16,403,015	0	-18,326	16,384,689	0	16,384,689
Single Piece Cards	104	538,108	0	0	538,108	0	538,108
Presort Cards	105	229,040	0	-993	228,047	0	228,047
Total Cards	108	767,148	0	-993	766,155	0	766,155
Total First-Class	109	17,170,164	0	-19,319	17,150,844	0	17,150,844
Priority Mail	110	3,486,911	0	36,161	3,523,073	0	3,523,073
Express Mail	111	517,385	0	0	517,385	0	517,385
Mailgrams	112	1,995	0	0	1,995	0	1,995
Periodicals							
Within County	113	80,101	0	0	80,101	0	80,101
Outside County	117	2,218,961	0	0	2,218,961	0	2,218,961
Total Periodicals	123	2,299,061	0	0	2,299,061	0	2,299,061
Standard Mail							
Enhanced Carr Rte	126	2,894,404	0	-789	2,893,615	0	2,893,615
Regular	127	8,838,765	0	-85,759	8,753,006	0	8,753,006
Total Standard Mail	135	11,733,169	0	-86,548	11,646,621	0	11,646,621
Package Services							
Parcel Post	136	1,205,684	0	32,075	1,237,759	0	1,237,759
Bound Printed Matter	137	555,903	0	0	555,903	0	555,903
Media Mail	139	413,706	0	0	413,706	0	413,706
Total Package Services	141	2,175,292	0	32,075	2,207,367	0	2,207,367
U.S. Postal Service	142	444,911	-444,911	0	0	0	0
Free Mail	147	59,767	0	0	59,767	0	59,767
International Mail	161	1,444,398	0	0	1,444,398	0	1,444,398
Total All Mail	162	39,333,055	-444,911	-37,631	38,850,513	0	38,850,513
Special Services							
Registry	163	75,128	0	0	75,128	0	75,128
Certified	164	417,525	0	0	417,525	0	417,525
Insurance	165	109,157	0	0	109,157	0	109,157
COD	166	8,599	0	0	8,599	0	8,599
Money Orders	168	158,868	0	0	158,868	0	158,868
Stamped Cards	159	1,698	0	0	1,698	0	1,698
Stamped Envelopes	169	12,461	0	0	12,461	0	12,461
Special Handling	170	9,849	0	0	9,849	0	9,849
Post Office Box	171	566,595	0	0	566,595	0	566,595
Other	172	353,978	0	-45,534	308,443	0	308,443
Total Special Services	173	1,713,856	0	-45,534	1,668,322	0	1,668,322
Total Volume Variable	198	41,046,911	-444,911	-83,165	40,518,835	0	40,518,835
Other Costs	199	33,280,154	444,911	0	33,725,066	0	33,725,066
Total Costs	200	74,327,065	0	-83,165	74,243,901	0	74,243,901

Modified November 21, 2006

Development of Cost by Segment and Component -
R2006-1 - Fiscal Year 2006 (PRC) - POIR16 PRC
D Report

Component Name		Total Attributable	Final Adjustments	RF Final Adjustments	Adjusted Attributable Costs	Contingency	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
Component Number		(460)	(501)	(506)	(504)	(503)	(502)	(657)	(642)
Cost Segment									
First-Class Mail									
Single Piece Letters	101	12,260,948	0	0	12,260,948	0	12,260,948	-6,468	12,254,480
Presort Letters	102	5,366,889	0	-20,802	5,346,087	0	5,346,087	-7,317	5,338,770
Total Letters	103	17,627,837	0	-20,802	17,607,035	0	17,607,035	-13,785	17,593,250
Single Piece Cards	104	595,540	0	0	595,540	0	595,540	-376	595,165
Presort Cards	105	245,007	0	-1,134	243,873	0	243,873	-463	243,410
Total Cards	108	840,547	0	-1,134	839,413	0	839,413	-839	838,574
Total First-Class	109	18,468,384	0	-21,936	18,446,448	0	18,446,448	-14,624	18,431,824
Priority Mail	110	3,804,332	0	37,690	3,842,023	0	3,842,023	-50,189	3,791,834
Express Mail	111	573,139	0	0	573,139	0	573,139	-11,828	561,311
Mailgrams	112	2,023	0	0	2,023	0	2,023	0	2,023
Periodicals									
Within County	113	84,893	0	0	84,893	0	84,893	-6	84,887
Outside County	117	2,348,794	0	0	2,348,794	0	2,348,794	-65	2,348,728
Total Periodicals	123	2,433,687	0	0	2,433,687	0	2,433,687	-72	2,433,615
Standard Mail									
Enhanced Carr Rte	126	2,957,228	0	-714	2,956,514	0	2,956,514	-4,946	2,951,568
Regular	127	9,185,845	0	-94,088	9,091,757	0	9,091,757	-9,310	9,082,448
Total Standard Mail	135	12,143,073	0	-94,802	12,048,271	0	12,048,271	-14,256	12,034,016
Package Services									
Parcel Post	136	1,225,180	0	32,739	1,257,919	0	1,257,919	-74	1,257,845
Bound Printed Matter	137	581,217	0	0	581,217	0	581,217	0	581,217
Media Mail	139	434,562	0	0	434,562	0	434,562	0	434,562
Total Package Services	141	2,240,958	0	32,739	2,273,698	0	2,273,698	-74	2,273,624
U.S. Postal Service	142	489,412	-489,412	0	0	0	0	0	0
Free Mail	147	63,950	0	0	63,950	0	63,950	0	63,950
International Mail	161	1,538,726	0	0	1,538,726	0	1,538,726	-31,876	1,506,849
Total All Mail	162	41,757,684	-489,412	-46,308	41,221,964	0	41,221,964	-122,918	41,099,046
Special Services									
Registry	163	88,208	0	0	88,208	0	88,208	0	88,208
Certified	164	441,836	0	0	441,836	0	441,836	-33	441,803
Insurance	165	111,385	0	0	111,385	0	111,385	-252	111,133
COD	166	8,543	0	0	8,543	0	8,543	0	8,543
Money Orders	168	164,635	0	0	164,635	0	164,635	-3,326	161,308
Stamped Cards	159	1,698	0	0	1,698	0	1,698	0	1,698
Stamped Envelopes	169	12,631	0	0	12,631	0	12,631	0	12,631
Special Handling	170	1,030	0	0	1,030	0	1,030	0	1,030
Post Office Box	171	554,335	0	0	554,335	0	554,335	-1,103	553,233
Other	172	410,575	0	-47,552	363,024	0	363,024	-1,985	361,039
Total Special Services	173	1,794,876	0	-47,552	1,747,324	0	1,747,324	-6,699	1,740,625
Total Volume Variable	198	43,552,560	-489,412	-93,860	42,969,288	0	42,969,288	-129,617	42,839,670
Other Costs	199	30,751,705	489,412	0	31,241,117	0	31,241,117	129,617	31,370,734
Total Costs	200	74,304,264	0	-93,860	74,210,404	0	74,210,404	0	74,210,404

Modified November 21, 2006

Development of Cost by Segment and Component -
R2006-1 - Fiscal Year 2007BR - POIR16
D Report

Component Name		Total Volume Variable	Final Adjustments	RF Final Adjustments	Adjusted Volume Variable Costs	Contingency	Total Including Contingency
Component Number *Cost Segment*		(460)	(501)	(506)	(504)	(503)	(502)
First-Class Mail							
Single Piece Letters	101	10,941,806	0	0	10,941,806	0	10,941,806
Presort Letters	102	5,170,763	0	-19,283	5,151,481	0	5,151,481
Total Letters	103	16,112,569	0	-19,283	16,093,286	0	16,093,286
Single Piece Cards	104	545,804	0	0	545,804	0	545,804
Presort Cards	105	240,002	0	-1,847	238,155	0	238,155
Total Cards	108	785,806	0	-1,847	783,959	0	783,959
Total First-Class	109	16,898,375	0	-21,130	16,877,245	0	16,877,245
Priority Mail	110	3,513,358	0	39,703	3,553,061	0	3,553,061
Express Mail	111	487,867	0	0	487,867	0	487,867
Mailgrams	112	494	0	0	494	0	494
Periodicals							
Within County	113	80,506	0	0	80,506	0	80,506
Outside County	117	2,224,536	0	0	2,224,536	0	2,224,536
Total Periodicals	123	2,305,042	0	0	2,305,042	0	2,305,042
Standard Mail							
Enhanced Carr Rte	126	2,976,972	0	-275	2,976,697	0	2,976,697
Regular	127	9,482,028	0	-153,375	9,328,653	0	9,328,653
Total Standard Mail	135	12,458,999	0	-153,650	12,305,349	0	12,305,349
Package Services							
Parcel Post	136	1,241,455	0	40,348	1,281,804	0	1,281,804
Bound Printed Matter	137	586,358	0	0	586,356	0	586,356
Media Mail	139	400,363	0	0	400,363	0	400,363
Total Package Services	141	2,228,174	0	40,348	2,268,522	0	2,268,522
U.S. Postal Service	142	454,415	-454,415	0	0	0	0
Free Mail	147	62,789	0	0	62,789	0	62,789
International Mail	161	1,438,380	0	0	1,438,380	0	1,438,380
Total All Mail	162	39,847,893	-454,415	-94,728	39,298,749	0	39,298,749
Special Services							
Registry	163	69,262	0	0	69,262	0	69,262
Certified	164	432,375	0	0	432,375	0	432,375
Insurance	165	104,857	0	0	104,857	0	104,857
COD	166	8,365	0	0	8,365	0	8,365
Money Orders	168	155,473	0	0	155,473	0	155,473
Stamped Cards	169	1,708	0	0	1,708	0	1,708
Stamped Envelopes	169	10,654	0	0	10,654	0	10,654
Special Handling	170	9,843	0	0	9,843	0	9,843
Post Office Box	171	588,327	0	0	588,327	0	588,327
Other	172	385,104	0	-47,038	338,066	0	338,066
Total Special Services	173	1,765,968	0	-47,038	1,718,930	0	1,718,930
Total Volume Variable	198	41,613,861	-454,415	-141,766	41,017,679	0	41,017,679
Other Costs	199	34,566,402	454,415	0	35,020,817	0	35,020,817
Total Costs	200	76,180,263	0	-141,766	76,038,497	0	76,038,497

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D Report

Component Name		Total Attributable	Final Adjustments	RF Final Adjustments	Adjusted Attributable Costs	Contingency	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
Component Number		(460)	(501)	(506)	(504)	(503)	(502)	(657)	(642)
Cost Segment									
First-Class Mail									
Single Piece Letters	101	11,890,063	0	0	11,890,063	0	11,890,063	-6,273	11,883,790
Presort Letters	102	5,421,010	0	-23,059	5,397,951	0	5,397,951	-7,095	5,390,856
Total Letters	103	17,311,073	0	-23,059	17,288,015	0	17,288,015	-13,368	17,274,646
Single Piece Cards	104	603,857	0	0	603,857	0	603,857	-364	603,493
Presort Cards	105	256,523	0	-2,106	254,416	0	254,416	-449	253,967
Total Cards	108	860,380	0	-2,106	858,274	0	858,274	-813	857,460
Total First-Class	109	18,171,453	0	-25,155	18,146,288	0	18,146,288	-14,182	18,132,107
Priority Mail	110	3,822,917	0	40,859	3,863,775	0	3,863,775	-49,910	3,813,866
Express Mail	111	542,421	0	0	542,421	0	542,421	-12,110	530,311
Mailgrams	112	501	0	0	501	0	501	0	501
Periodicals									
Within County	113	85,320	0	0	85,320	0	85,320	-6	85,314
Outside County	117	2,356,161	0	0	2,356,161	0	2,356,161	-65	2,356,096
Total Periodicals	123	2,441,481	0	0	2,441,481	0	2,441,481	-72	2,441,410
Standard Mail									
Enhanced Carr Rte	126	3,041,627	0	-260	3,041,368	0	3,041,366	-4,946	3,036,420
Regular	127	9,856,521	0	-168,114	9,688,407	0	9,688,407	-9,310	9,679,097
Total Standard Mail	135	12,898,148	0	-168,375	12,729,773	0	12,729,773	-14,256	12,715,517
Package Services									
Parcel Post	136	1,261,904	0	40,814	1,302,719	0	1,302,719	-74	1,302,645
Bound Printed Matter	137	613,135	0	0	613,135	0	613,135	0	613,135
Media Mail	139	420,625	0	0	420,625	0	420,625	0	420,625
Total Package Services	141	2,295,664	0	40,814	2,336,478	0	2,336,478	-74	2,336,404
U.S. Postal Service	142	499,584	-499,584	0	0	0	0	0	0
Free Mail	147	67,220	0	0	67,220	0	67,220	0	67,220
International Mail	161	1,532,311	0	0	1,532,311	0	1,532,311	-31,841	1,500,469
Total All Mail	162	42,271,699	-499,584	-111,867	41,660,248	0	41,660,248	-122,444	41,537,804
Special Services									
Registry	163	81,340	0	0	81,340	0	81,340	0	81,340
Certified	164	457,685	0	0	457,685	0	457,685	-33	457,652
Insurance	165	107,064	0	0	107,064	0	107,064	-252	106,812
COD	166	8,312	0	0	8,312	0	8,312	0	8,312
Money Orders	168	161,466	0	0	161,466	0	161,466	-3,467	157,999
Stamped Cards	159	1,707	0	0	1,707	0	1,707	0	1,707
Stamped Envelopes	169	10,805	0	0	10,805	0	10,805	0	10,805
Special Handling	170	1,047	0	0	1,047	0	1,047	0	1,047
Post Office Box	171	575,464	0	0	575,464	0	575,464	-1,103	574,361
Other	172	446,728	0	-49,501	397,227	0	397,227	-1,985	395,242
Total Special Services	173	1,851,618	0	-49,501	1,802,117	0	1,802,117	-6,839	1,795,278
Total Volume Variable	198	44,123,317	-499,584	-161,368	43,462,365	0	43,462,365	-129,284	43,333,082
Other Costs	199	32,025,907	499,584	0	32,525,491	0	32,525,491	129,284	32,654,775
Total Costs	200	76,149,224	0	-161,368	75,987,857	0	75,987,857	0	75,987,857

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Component Name		Total Volume Variable	Final Adjustments	RF Final Adjustments	Adjusted Volume Variable Costs	Contingency	Total Including Contingency
Component Number / *Cost Segment*		(460)	(501)	(506)	(504)	(503)	(502)
First-Class Mail							
Single Piece Letters	101	10,890,561	0	-85,635	10,804,926	0	10,804,926
Presort Letters	102	5,190,477	0	87,224	5,277,701	0	5,277,701
Total Letters	103	16,081,038	0	1,589	16,082,627	0	16,082,627
Single Piece Cards	104	539,260	0	0	539,260	0	539,260
Presort Cards	105	240,751	0	-1,607	239,144	0	239,144
Total Cards	108	780,011	0	-1,607	778,404	0	778,404
Total First-Class	109	16,861,049	0	-18	16,861,031	0	16,861,031
Priority Mail	110	3,352,997	0	37,209	3,390,206	0	3,390,206
Express Mail	111	474,114	0	0	474,114	0	474,114
Mailgrams	112	496	0	0	496	0	496
Periodicals							
Within County	113	79,675	0	0	79,675	0	79,675
Outside County	117	2,211,651	0	0	2,211,651	0	2,211,651
Total Periodicals	123	2,291,326	0	0	2,291,326	0	2,291,326
Standard Mail							
Enhanced Carr Rte	126	2,934,862	0	-62,965	2,871,897	0	2,871,897
Regular	127	9,443,905	0	-117,824	9,326,080	0	9,326,080
Total Standard Mail	135	12,378,767	0	-180,790	12,197,977	0	12,197,977
Package Services							
Parcel Post	136	1,195,745	0	52,980	1,248,724	0	1,248,724
Bound Printed Matter	137	589,741	0	0	589,741	0	589,741
Media Mail	139	394,560	0	0	394,560	0	394,560
Total Package Services	141	2,180,046	0	52,980	2,233,026	0	2,233,026
U.S. Postal Service	142	455,950	-455,950	0	0	0	0
Free Mail	147	63,016	0	0	63,016	0	63,016
International Mail	161	1,415,428	0	0	1,415,428	0	1,415,428
Total All Mail	162	39,473,189	-455,950	-90,619	38,926,620	0	38,926,620
Special Services							
Registry	163	67,623	0	0	67,623	0	67,623
Certified	164	431,908	0	0	431,908	0	431,908
Insurance	165	103,904	0	-7,078	96,826	0	96,826
COD	166	7,947	0	0	7,947	0	7,947
Money Orders	168	154,616	0	0	154,616	0	154,616
Stamped Cards	159	1,688	0	0	1,688	0	1,688
Stamped Envelopes	169	12,810	0	0	12,810	0	12,810
Special Handling	170	9,825	0	0	9,825	0	9,825
Post Office Box	171	589,062	0	0	589,062	0	589,062
Other	172	377,917	0	-44,493	333,424	0	333,424
Total Special Services	173	1,757,300	0	-51,571	1,705,729	0	1,705,729
Total Volume Variable	198	41,230,489	-455,950	-142,190	40,632,348	0	40,632,348
Other Costs	199	34,591,657	455,950	0	35,047,607	0	35,047,607
Total Costs	200	75,822,145	0	-142,190	75,679,955	0	75,679,955

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Component Name		Total Attributable	Final Adjustments	RF Final Adjustments	Adjusted Attributable Costs	Contingency	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
Component Number		(460)	(501)	(506)	(504)	(503)	(502)	(657)	(642)
Cost Segment									
First-Class Mail									
Single Piece Letters	101	11,837,334	0	-92,895	11,744,439	0	11,744,439	-6,273	11,738,166
Presort Letters	102	5,442,774	0	95,632	5,538,406	0	5,538,406	-7,095	5,531,310
Total Letters	103	17,280,108	0	2,737	17,282,845	0	17,282,845	-13,368	17,269,476
Single Piece Cards	104	596,836	0	0	596,836	0	596,836	-364	596,472
Presort Cards	105	257,392	0	-1,836	255,556	0	255,556	-449	255,107
Total Cards	108	854,228	0	-1,836	852,392	0	852,392	-813	851,579
Total First-Class	109	18,134,336	0	901	18,135,237	0	18,135,237	-14,182	18,121,055
Priority Mail	110	3,649,571	0	39,208	3,688,779	0	3,688,779	-49,910	3,638,870
Express Mail	111	527,623	0	0	527,623	0	527,623	-12,144	515,479
Mailgrams	112	503	0	0	503	0	503	0	503
Periodicals									
Within County	113	84,437	0	0	84,437	0	84,437	-6	84,431
Outside County	117	2,343,054	0	0	2,343,054	0	2,343,054	-65	2,342,988
Total Periodicals	123	2,427,491	0	0	2,427,491	0	2,427,491	-72	2,427,419
Standard Mail									
Enhanced Carr Rte	126	2,998,965	0	-62,015	2,936,949	0	2,936,949	-4,946	2,932,003
Regular	127	9,818,867	0	-132,738	9,686,129	0	9,686,129	-9,310	9,676,820
Total Standard Mail	135	12,817,831	0	-194,753	12,623,079	0	12,623,079	-14,256	12,608,823
Package Services									
Parcel Post	136	1,215,498	0	54,813	1,270,311	0	1,270,311	-74	1,270,237
Bound Printed Matter	137	*616,765*	*0*	*0*	*616,765*	0	616,765	0	616,765
Media Mail	139	414,595	0	0	414,595	0	414,595	0	414,595
Total Package Services	141	2,246,858	0	54,813	2,301,671	0	2,301,671	-74	2,301,597
U.S. Postal Service	142	501,408	-501,408	0	0	0	0	0	0
Free Mail	147	67,471	0	0	67,471	0	67,471	0	67,471
International Mail	161	1,508,632	0	0	1,508,632	0	1,508,632	-31,858	1,476,774
Total All Mail	162	41,681,725	-501,408	-99,831	41,280,486	0	41,280,486	-122,495	41,157,991
Special Services									
Registry	163	79,440	0	0	79,440	0	79,440	0	79,440
Certified	164	457,331	0	0	457,331	0	457,331	-33	457,298
Insurance	165	106,119	0	-7,125	98,994	0	98,994	-252	98,741
COD	166	7,899	0	0	7,899	0	7,899	0	7,899
Money Orders	168	160,646	0	0	160,646	0	160,646	-3,467	157,179
Stamped Cards	159	1,688	0	0	1,688	0	1,688	0	1,688
Stamped Envelopes	169	12,993	0	0	12,993	0	12,993	0	12,993
Special Handling	170	1,045	0	0	1,045	0	1,045	0	1,045
Post Office Box	171	576,147	0	0	576,147	0	576,147	-1,103	575,045
Other	172	438,656	0	-48,805	389,851	0	389,851	-1,985	387,866
Total Special Services	173	1,841,963	0	-55,930	1,786,033	0	1,786,033	-6,839	1,779,193
Total Volume Variable	198	43,723,688	-501,408	-155,761	43,066,519	0	43,066,519	-129,334	42,937,185
Other Costs	199	32,045,130	501,408	0	32,546,538	0	32,546,538	129,334	32,675,872
Total Costs	200	75,768,818	0	-155,761	75,613,057	0	75,613,057	0	75,613,057

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Component Name		Total Volume Variable	Final Adjustments	RF Final Adjustments	Adjusted Volume Variable Costs	Contingency	Total Including Contingency
Component Number *Cost Segment*		(460)	(501)	(506)	(504)	(503)	(502)
First-Class Mail							
Single Piece Letters	101	10,575,121	0	0	10,575,121	105,751	10,680,873
Presort Letters	102	5,207,689	0	-17,082	5,190,607	51,906	5,242,513
Total Letters	103	15,782,810	0	-17,082	15,765,728	157,657	15,923,385
Single Piece Cards	104	553,776	0	0	553,776	5,538	559,314
Presort Cards	105	253,673	0	-2,596	251,077	2,511	253,587
Total Cards	108	807,449	0	-2,596	804,853	8,049	812,901
Total First-Class	109	16,590,259	0	-19,678	16,570,581	165,706	16,736,287
Priority Mail	110	3,602,706	0	43,293	3,645,999	36,460	3,682,459
Express Mail	111	480,777	0	0	480,777	4,808	485,585
Mailgrams	112	0	0	0	0	0	0
Periodicals							
Within County	113	81,060	0	0	81,060	811	81,870
Outside County	117	2,301,841	0	0	2,301,841	23,018	2,324,859
Total Periodicals	123	2,382,901	0	0	2,382,901	23,829	2,406,730
Standard Mail							
Enhanced Carr Rte	126	3,099,893	0	177	3,100,071	31,001	3,131,071
Regular	127	10,039,739	0	-181,918	9,857,820	98,578	9,956,398
Total Standard Mail	135	13,139,632	0	-181,741	12,957,891	129,579	13,087,470
Package Services							
Parcel Post	136	1,312,634	0	37,288	1,349,923	13,499	1,363,422
Bound Printed Matter	137	617,641	0	0	617,641	6,176	623,818
Media Mail	139	412,664	0	0	412,664	4,127	416,790
Total Package Services	141	2,342,939	0	37,288	2,380,228	23,802	2,404,030
U.S. Postal Service	142	468,084	-468,084	0	0	0	0
Free Mail	147	67,105	0	0	67,105	671	67,776
International Mail	161	1,477,215	0	0	1,477,215	14,772	1,491,987
Total All Mail	162	40,551,619	-468,084	-120,837	39,962,697	399,627	40,362,324
Special Services							
Registry	163	63,651	0	0	63,651	637	64,287
Certified	164	450,530	0	0	450,530	4,505	455,035
Insurance	165	98,831	0	0	98,831	988	99,819
COD	166	8,300	0	0	8,300	83	8,383
Money Orders	168	149,689	0	0	149,689	1,497	151,186
Stamped Cards	159	1,738	0	0	1,738	17	1,755
Stamped Envelopes	169	10,034	0	0	10,034	100	10,134
Special Handling	170	9,731	0	0	9,731	97	9,829
Post Office Box	171	619,002	0	0	619,002	6,190	625,192
Other	172	414,664	0	-48,471	366,193	3,662	369,854
Total Special Services	173	1,826,168	0	-48,471	1,777,697	17,777	1,795,474
Total Volume Variable	198	42,377,787	-468,084	-169,308	41,740,394	417,404	42,157,798
Other Costs	199	36,210,197	468,084	0	36,678,281	366,783	37,045,064
Total Costs	200	78,587,983	0	-169,308	78,418,675	784,187	79,202,862

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Component Name		Total Attributable	Final Adjustments	RF Final Adjustments	Adjusted Attributable Costs	Contingency	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
Component Number		(460)	(501)	(506)	(504)	(503)	(502)	(657)	(642)
Cost Segment									
First-Class Mail									
Single Piece Letters	101	11,489,435	0	0	11,489,435	114,894	11,604,329	-6,253	11,598,076
Presort Letters	102	5,452,947	0	-21,560	5,431,387	54,314	5,485,701	-7,073	5,478,628
Total Letters	103	16,942,382	0	-21,560	16,920,822	169,208	17,090,030	-13,326	17,076,704
Single Piece Cards	104	612,507	0	0	612,507	6,125	618,633	-363	618,269
Presort Cards	105	270,892	0	-2,953	267,939	2,679	270,619	-448	270,171
Total Cards	108	883,399	0	-2,953	880,447	8,804	889,251	-811	888,440
Total First-Class	109	17,825,781	0	-24,512	17,801,269	178,013	17,979,282	-14,137	17,965,145
Priority Mail	110	3,905,521	0	45,278	3,950,799	39,508	3,990,307	-50,291	3,940,016
Express Mail	111	535,521	0	0	535,521	5,355	540,876	-12,410	528,466
Mailgrams	112	0	0	0	0	0	0	0	0
Periodicals									
Within County	113	85,871	0	0	85,871	859	86,729	-6	86,723
Outside County	117	2,436,221	0	0	2,436,221	24,362	2,460,583	-66	2,460,517
Total Periodicals	123	2,522,092	0	0	2,522,092	25,221	2,547,313	-72	2,547,241
Standard Mail									
Enhanced Carr Rte	126	3,164,922	0	281	3,165,203	31,652	3,196,855	-4,996	3,191,859
Regular	127	10,424,717	0	-199,605	10,225,111	102,251	10,327,363	-9,403	10,317,960
Total Standard Mail	135	13,589,638	0	-199,324	13,390,314	133,903	13,524,218	-14,398	13,509,819
Package Services									
Parcel Post	136	1,333,293	0	37,653	1,370,946	13,709	1,384,655	-75	1,384,580
Bound Printed Matter	137	645,189	0	0	645,189	6,452	651,641	0	651,641
Media Mail	139	433,100	0	0	433,100	4,331	437,431	0	437,431
Total Package Services	141	2,411,583	0	37,653	2,449,235	24,492	2,473,728	-75	2,473,653
U.S. Postal Service	142	514,356	-514,356	0	0	0	0	0	0
Free Mail	147	71,684	0	0	71,684	717	72,401	0	72,401
International Mail	161	1,572,170	0	0	1,572,170	15,722	1,587,892	-32,641	1,555,250
Total All Mail	162	42,948,346	-514,356	-140,906	42,293,084	422,931	42,716,015	-124,025	42,591,990
Special Services									
Registry	163	74,698	0	0	74,698	747	75,445	0	75,445
Certified	164	476,868	0	0	476,868	4,769	481,637	-33	481,603
Insurance	165	100,923	0	0	100,923	1,009	101,933	-255	101,678
COD	166	8,254	0	0	8,254	83	8,337	0	8,337
Money Orders	168	155,653	0	0	155,653	1,557	157,210	-3,630	153,580
Stamped Cards	159	1,738	0	0	1,738	17	1,755	0	1,755
Stamped Envelopes	169	10,172	0	0	10,172	102	10,273	0	10,273
Special Handling	170	1,048	0	0	1,048	10	1,059	0	1,059
Post Office Box	171	605,862	0	0	605,862	6,059	611,920	-1,114	610,807
Other	172	481,134	0	-51,922	429,212	4,292	433,504	-2,005	431,499
Total Special Services	173	1,916,350	0	-51,922	1,864,428	18,644	1,883,072	-7,036	1,876,036
Total Volume Variable	198	44,864,696	-514,356	-192,828	44,157,512	441,575	44,599,087	-131,061	44,468,026
Other Costs	199	33,672,356	514,356	0	34,186,712	341,867	34,528,579	131,061	34,659,640
Total Costs	200	78,537,052	0	-192,828	78,344,224	783,442	79,127,666	0	79,127,666

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D Report

Component Name		Total Volume Variable	Final Adjustments	RF Final Adjustments	Adjusted Volume Variable Costs	Contingency	Total Including Contingency
Component Number *Cost Segment*		(460)	(501)	(506)	(504)	(503)	(502)
First-Class Mail							
Single Piece Letters	101	10,320,060	0	-83,491	10,236,569	102,366	10,338,935
Presort Letters	102	5,213,716	0	97,178	5,310,894	53,109	5,364,003
Total Letters	103	15,533,776	0	13,687	15,547,463	155,475	15,702,938
Single Piece Cards	104	524,865	0	0	524,865	5,249	530,113
Presort Cards	105	246,627	0	-1,917	244,710	2,447	247,157
Total Cards	108	771,491	0	-1,917	769,575	7,696	777,270
Total First-Class	109	16,305,267	0	11,770	16,317,038	163,170	16,480,208
Priority Mail	110	3,158,631	0	-12,112	3,146,519	31,465	3,177,984
Express Mail	111	412,834	0	0	412,834	4,128	416,962
Mailgrams	112	0	0	0	0	0	0
Periodicals							
Within County	113	78,730	0	0	78,730	787	79,517
Outside County	117	2,227,833	0	0	2,227,833	22,278	2,250,111
Total Periodicals	123	2,306,563	0	0	2,306,563	23,066	2,329,628
Standard Mail							
Enhanced Carr Rte	126	2,918,251	0	-161,173	2,757,078	27,571	2,784,649
Regular	127	9,838,745	0	-99,360	9,739,385	97,394	9,836,779
Total Standard Mail	135	12,756,996	0	-260,533	12,496,463	124,965	12,621,428
Package Services							
Parcel Post	136	1,159,610	0	84,055	1,243,665	12,437	1,256,102
Bound Printed Matter	137	625,203	0	0	625,203	6,252	631,455
Media Mail	139	382,854	0	0	382,854	3,829	386,682
Total Package Services	141	2,167,667	0	84,055	2,251,722	22,517	2,274,239
U.S. Postal Service	142	468,615	-468,615	0	0	0	0
Free Mail	147	67,298	0	0	67,298	673	67,971
International Mail	161	1,397,153	0	0	1,397,153	13,972	1,411,125
Total All Mail	162	39,041,025	-468,615	-176,820	38,395,589	383,956	38,779,545
Special Services							
Registry	163	59,128	0	0	59,128	591	59,719
Certified	164	440,962	0	0	440,962	4,410	445,372
Insurance	165	95,740	0	-18,921	76,819	768	77,587
COD	166	7,191	0	0	7,191	72	7,263
Money Orders	168	141,349	0	0	141,349	1,413	142,762
Stamped Cards	159	1,640	0	0	1,640	16	1,656
Stamped Envelopes	169	12,813	0	0	12,813	128	12,941
Special Handling	170	9,545	0	0	9,545	95	9,640
Post Office Box	171	616,595	0	0	616,595	6,166	622,761
Other	172	390,604	0	-47,425	343,179	3,432	346,611
Total Special Services	173	1,775,565	0	-66,346	1,709,219	17,092	1,726,312
Total Volume Variable	198	40,816,590	-468,615	-243,166	40,104,809	401,048	40,505,857
Other Costs	199	36,188,028	468,615	0	36,656,644	366,566	37,023,210
Total Costs	200	77,004,619	0	-243,166	76,761,453	767,615	77,529,067

Modified November 21, 2006

Development of Cost by Segment and Component -
R2006-1 - Test Year 2008AR (PRC) - POIR16 PRC
D Report

Component Name		Total Attributable	Final Adjustments	RF Final Adjustments	Adjusted Attributable Costs	Contingency	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
Component Number *Cost Segment*		(460)	(501)	(506)	(504)	(503)	(502)	(657)	(642)
First-Class Mail									
Single Piece Letters	101	11,223,771	0	-90,570	11,133,201	111,332	11,244,533	-6,253	11,238,280
Presort Letters	102	5,463,577	0	103,179	5,566,755	55,668	5,622,423	-7,073	5,615,350
Total Letters	103	16,687,348	0	12,609	16,699,957	167,000	16,866,957	-13,326	16,853,630
Single Piece Cards	104	581,198	0	0	581,198	5,812	587,010	-363	586,647
Presort Cards	105	263,590	0	-2,183	261,407	2,614	264,022	-448	263,574
Total Cards	108	844,788	0	-2,183	842,605	8,426	851,031	-811	850,220
Total First-Class	109	17,532,136	0	10,426	17,542,562	175,426	17,717,988	-14,137	17,703,851
Priority Mail	110	3,427,318	0	-8,276	3,419,042	34,190	3,453,232	-50,291	3,402,941
Express Mail	111	461,933	0	0	461,933	4,619	466,552	-12,416	454,136
Mailgrams	112	0	0	0	0	0	0	0	0
Periodicals									
Within County	113	83,418	0	0	83,418	834	84,252	-6	84,245
Outside County	117	2,359,719	0	0	2,359,719	23,597	2,383,316	-66	2,383,250
Total Periodicals	123	2,443,136	0	0	2,443,136	24,431	2,467,568	-72	2,467,496
Standard Mail									
Enhanced Carr Rte	126	2,980,681	0	-162,291	2,818,391	28,184	2,846,575	-4,996	2,841,579
Regular	127	10,224,787	0	-120,389	10,104,398	101,044	10,205,442	-9,403	10,196,039
Total Standard Mail	135	13,205,468	0	-282,680	12,922,789	129,228	13,052,016	-14,398	13,037,618
Package Services									
Parcel Post	136	1,178,305	0	85,081	1,263,387	12,634	1,276,020	-75	1,275,945
Bound Printed Matter	137	653,428	0	0	653,428	6,534	659,962	0	659,962
Media Mail	139	402,055	0	0	402,055	4,021	406,076	0	406,076
Total Package Services	141	2,233,788	0	85,081	2,318,870	23,189	2,342,058	-75	2,341,983
U.S. Postal Service	142	515,520	-515,520	0	0	0	0	0	0
Free Mail	147	71,939	0	0	71,939	719	72,658	0	72,658
International Mail	161	1,489,380	0	0	1,489,380	14,894	1,504,273	-32,644	1,471,629
Total All Mail	162	41,380,618	-515,520	-195,448	40,669,650	406,696	41,076,346	-124,034	40,952,313
Special Services									
Registry	163	69,504	0	0	69,504	695	70,199	0	70,199
Certified	164	467,141	0	0	467,141	4,671	471,812	-33	471,779
Insurance	165	97,886	0	-19,046	78,840	788	79,628	-255	79,373
COD	166	7,158	0	0	7,158	72	7,229	0	7,229
Money Orders	168	147,469	0	0	147,469	1,475	148,944	-3,630	145,315
Stamped Cards	159	1,640	0	0	1,640	16	1,656	0	1,656
Stamped Envelopes	169	13,000	0	0	13,000	130	13,130	0	13,130
Special Handling	170	1,029	0	0	1,029	10	1,040	0	1,040
Post Office Box	171	603,537	0	0	603,537	6,035	609,573	-1,114	608,459
Other	172	454,161	0	-50,310	403,852	4,039	407,890	-2,005	405,885
Total Special Services	173	1,862,526	0	-69,356	1,793,170	17,932	1,811,102	-7,036	1,804,066
Total Volume Variable	198	43,243,144	-515,520	-264,804	42,462,820	424,628	42,887,449	-131,070	42,756,378
Other Costs	199	33,664,978	515,520	0	34,180,498	341,805	34,522,303	131,070	34,653,373
Total Costs	200	76,908,122	0	-264,804	76,643,318	766,433	77,409,751	0	77,409,751

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United States Postal Service

Virginia J. Mayes
(USPS-T-25)

RESPONSE OF POSTAL SERVICE WITNESS MAYES
TO POIR NO. 21, QUESTION 2

2. Please refer to USPS-LR-L-88, file 'AppenF.xls,' worksheet 'App F, Table 6.' Does the avoided handling cost per-pound figure in cell F12 represent the difference between the per-pound cost of Zone 1&2 mail and DADC mail? Similarly, does the avoided handling cost per-pound figure in cell F14 represent the difference between the per-pound cost of Zone 1&2 mail and DSCF mail? Does the avoided handling cost per-pound figure in cell F16 represent the difference between the per-pound cost of Zone 1&2 mail and DDU mail? If not, please explain in detail what each of these figures represents.

RESPONSE:

The savings estimates provided in column C of Appendix F of USPS-LR-L-88 are the estimated nontransportation savings for Periodicals relative to entry at Zone 1&2, most or all of which are incurred on a per-piece basis, or per-container basis translated to a per-piece basis. Because the Pricing witnesses have traditionally incorporated the nontransportation destination entry discounts into both the piece and pound elements of their rate design, the per-piece cost savings figures from column C are translated into savings on a per-pound basis in column F using conversion factors of the average numbers of Periodicals pieces per pound (for the DDU savings, the conversion factor was for all Periodicals and for the DSCF and DADC, the conversion factor was for Outside County Periodicals). I would not say that the costs shown are the differences in the per-pound costs at each facility, but rather, that they are the per-container and per-piece costs as reflected on a per-pound basis.

A somewhat more detailed description of the development of the estimates was provided in my testimony, USPS-T-25, on page 7 beginning at line 9: The savings estimates generated in Appendix F of library reference USPS-LR-L-88 are calculated relative to Zone 1&2 Periodicals mail processing costs. In

previous proceedings, the Postal Service has estimated that non-destination SCF Zone 1&2 Periodicals will incur one transfer through a non-destination transfer hub before it is dispatched to the appropriate destination SCF. The costs of crossdocking mail at a BMC are used as proxies for the costs of crossdocking mail at transfer hubs because it has been assumed that most transfer hubs are BMCs.

In previous proceedings, it has been assumed that 20 percent of non-destination SCF Zone 1&2 Periodicals incur a trip through a non-destination SCF/ADC before being dispatched to the destination SCF. It has also been assumed that 3.14 percent of non-destination SCF Zone 1&2 Periodicals go directly from the destination transfer hub to the destination DDU, bypassing intermediate handlings at the destination ADC or destination SCF. Those assumptions were utilized in the current calculations.

R2006-1

United States Postal Service

Marc D. McCrery
(USPS-T-42)

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MCCRERY
TO INTERROGATORIES OF GREETING CARD ASSOCIATION
Revised September 5, 2006

GCA/USPS-T42-6:
Please describe the differences (if any), which would be discernible by visual inspection, between a cancellation applied manually to a stamped single-piece First-Class Letter and a cancellation applied to such a piece by the AFCS.

Response:

When the production requirements for the inkjet canceller were defined, it was decided to only print AM or PM similar to the old cancellation die.

The Ink-Jet Canceller on the AFCS uses inkjet printing technology to apply a cancellation mark on each mail piece by spraying tiny ink droplets at high velocity under computer control. The new postmark includes the following information:

- City or geographic region, state, and the 3-digit ZIP with a single space between each item without a comma.
- Date in day, month, year (DD MMM YYYY) with a single space in between.
- AM or PM designation.
- AFCS machine identification.
- Lead (L) or Trail (T) cancellation identification.
- Cancellation wavy bars, other graphics or logo to the right of all the above.

The manual canceller is a round rubber stamp with the city, state, 3-digit ZIP, and date. The manual letter and flat outgoing primary operations are also equipped with a dauber for canceling stamps.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MCCRERY
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T42-1. Refer to USPS-T-42, page 6, where you state that there are over 5,200 Delivery Barcode Sorters deployed across the Postal Service network.
(a) Refer to the facility classification employed by Witness Van-Ty-Smith, USPS-T-11, page 3, in which she divides facilities into BMCs, MODS offices, and non- MODS offices. Approximately how many of the 5,200 DBCS machines that you refer to are located in each of these three types of facilities?
(b) How many DBCS machines will be located in a typical MODS facility?
(c) What is the minimum number of DBCS machines that will be located in a MODS facility?
(d) What is the maximum number of DBCS machines that will be located in a MODS facility?
(e) For those instances in which a MODS facility is equipped with multiple DBCS machines, discuss in detail how the workload will typically be divided across these machines. Will they operate simultaneously? What sortation activities will be carried out in parallel?
(f) What factors determine the number of DBSC machines that will be installed at a particular MODS facility?
(g) Are decisions ever made to increase the number of DBCS machines installed at a MODS facility? If so, what changes in circumstances will trigger the decision to install additional machines?
(h) Are decisions ever made to decrease the number of DBCS machines installed at a MODS facility? If so, what changes in circumstances will trigger the decision to remove machines?

Response:

a.

	DBCS	DIOSS	CIOSS
MODS	92.57%	96.46%	100.00%
Non MODS	7.43%	3.54%	0.00%
BMC	0.00%	0.00%	0.00%

b-h. See witness McCrery's response filed on July 27, 2006.

R2006-1

United States Postal Service

Donald J. O'Hara
(USPS-T-31)

RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16

POIR No. 16, Question 12

Please refer to: (1) USPS-LR-L-174 "Workpapers of Witness O'Hara," filed August 25, 2006; (2) Exhibit USPS-31A "Summary of Estimated TYBR Finances (O'Hara)," revised August 25, 2006; (3) Exhibit USPS-31B "Summary of Estimated TYAR Finances (O'Hara)," revised August 25, 2006; (4) Exhibit USPS-31C "Summary of Estimated Revenues, Interim Fiscal Years 2007BR and 2007AR (O'Hara)," revised August 25, 2006; (5) Exhibit USPS-6A "Statements of Revenue and Expense (Loutsch)," revised July 31, 2006; and (6) Exhibit USPS-6D "Mail and Special Services Revenue, Fiscal Year 2005–Test Year (Loutsch)," revised July 31, 2006.

a. Please confirm that the individual revenue entries in the second column "TYBR Revenue" of Exhibit USPS-31A add up to the 2008 TYBR total revenue figure of $73,632,163 (000), which is different from the pasted (hard coded) figure of $73,580,134 (000).

b. Please confirm that the following five different numbers currently exist in the record for 2008 TYBR total revenue: (1) $75,779,424 (000) in the column numbered 2; (2) $75,674,351(000) in the column numbered 4 of the sheet "BR 2008 Vol & Rev" in USPS-LR-L-174; (3) $73,580,134 (000) in the sheet "BR 2008 Rev & Cost" of USPS-LR-L-174; (4) $73,632,163 (000) in Exhibit USPS-31A; and (5) $73,568 (000,000) in Exhibits USPS-6A and USPS-6D.

c. If (a) and (b) above are confirmed, please revise USPS-LR-L-174 and Exhibits USPS-31A, USPS-6A and USPS-6D, as well as any other relevant document, as needed, in order to produce one and only one estimate of 2008 TYBR total revenue that is consistent with the record. Please show step-by-step how 2008 TYBR total revenue is calculated. Please ensure that the mail category and special service revenue entries in all spreadsheets of USPS-LR-L-174 are electronically linked to the workpapers of pricing witnesses or provide detailed citations to the sources. Make sure that the figures in the workpapers of pricing witnesses agree with the revenue entries in all spreadsheets of USPS-LR-L-174.

d. Please refer to the following six spreadsheets in USPS-LR-L-174: (1) "BY 2005 Vol $ Rev;" (2) "BR 2006 Vol $ Rev;" (3) "BR 2007 Vol $ Rev;" (4) "BR 2008 Vol $ Rev;" (5) "AR 2007 Vol $ Rev;" and (6) "AR 2008 Vol $ Rev." These spreadsheets are designed so that the calculated total revenue in columns (2) and (4) are equal. Both columns contain the same information—postage and fees of mail and special services. Column (2) contains postage plus unallocated fees and column (4) shows postage plus allocated fees to mail categories. Please confirm that in the following four spreadsheets, from the above six, the calculated total revenue figures in columns (2) and (4) are not the same:

RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16

(1) "BY 2005 Vol $ Rev;" (2) "BR 2006 Vol $ Rev;" (3) "BR 2008 Vol $ Rev;" and (4) "AR 2008 Vol $ Rev." If the above is confirmed, please correct the four spreadsheets so that the calculated total revenue in columns (2) and (4) are equal.

e. Please confirm that the FY 2005 (base year) actual total revenue calculated by witness O'Hara in the sheet "BY 2005 Vol & Rev" of USPS-LR-L-174 does not agree with the FY 2005 actual total revenue reported by witness Loutsch in Exhibits USPS-6A and USPS-6D. If the above is confirmed, please revise sheet "BY 2005 Vol & Rev" of USPS-LR-L-174 and Exhibits USPS-6A and USPS-6B, if needed, so that the actual revenue figures for the individual mail and special services as well as the calculated total revenue for BY 2005 agree in all three documents. Please show step-by-step how BY 2005 total revenue is calculated.

f. Please confirm that the 2008 TYAR total revenue calculated by witness O'Hara in the sheet "AR 2008 Vol & Rev" of USPS-LR-L-174 and shown in Exhibit USPS-31B does not agree with the TYAR total revenue reported by witness Loutsch in Exhibits USPS-6A and USPS-6D. If the above is confirmed, please revise sheet "AR 2008 Vol & Rev" of USPS-LR-L-174 and Exhibits USPS-31B, USPS-6A and USPS-6B so that the revenue figures for individual mail and special services as well as the calculated total revenue for 2008 TYAR agree in all four documents. Please show step-by-step how 2008 TYAR total revenue is calculated.

g. Please confirm that the 2008 TYBR net income deficiency calculated by witness O'Hara in the sheet "BR 2008 Rev & Cost" of USPS-LR-L-174 and shown in Exhibit USPS-31A does not agree with the deficiency reported by witness Loutsch in Exhibit USPS-6A. If the above is confirmed, please revise sheet "BR 2008 Rev & Cost" of USPS-LR-174 and Exhibits USPS-31A and USPS-6A so that only one correctly calculated deficiency figure for 2008 TYBR is shown in all three documents. Please show step-by-step how TYBR net income deficiency is calculated.

h. Please confirm that the 2008 TYAR net income calculated by witness O'Hara in the sheet "AR 2008 Rev & Cost" of USPS-LR-L-174 and shown in Exhibit USPS-31B does not agree with the surplus reported by witness Loutsch in Exhibit USPS-6A. If the above is confirmed, please revise sheet "AR 2008 Rev & Cost" of USPS-LR-174 and Exhibits USPS-31B and USPS-6A so that only one correctly calculated surplus figure for 2008 TYAR is shown in all three documents. Please show step-by-step how 2008 TYAR net income is calculated.

i. Currently, Exhibits USPS-31A through USPS-31E have been submitted as a PDF file. Please resubmit Exhibits USPS-31A through USPS-31E as

RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16

electronic spreadsheets with the numerical entries electronically linked to or provide detailed citations to their sources.

RESPONSE TO QUESTION 12:

a. Confirmed.

b. Confirmed

c. Revised spreadsheets corresponding to Exhibit 31A and to those in LR-L-174 are contained in CD 1 of the attachment to this response, LR-L-196. CD 2 contains the exhibits to witness Loutsch's testimony and the spreadsheets in LR L-50 that change as a result of the revenue, volume, and final adjustment changes.[1]

In the Before Rates spreadsheets for FY 2006 and FY 2007 BR, there are still some hard-coded values for subclass detail. Pricing witnesses last worked on these revenues well before R2006-1 was filed, and, in accordance with previous practice, generally did not include them in their individual workpapers. Any recent changes have been incorporated using links to their sources.

d. Confirmed; the formulae that generated the inconsistency between columns (2) and (4) have been corrected in the spreadsheets accompanying this response.

e. R2005 revenue and fees are taken from the USPS-LR-L-20 (FY2005_RPW summary report).

f. Confirmed. The appropriate changes have been made.

g. Confirmed. The appropriate changes have been made.

h. Confirmed. The appropriate changes have been made.

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[1] The RF_Rpts_06.xls file should replace the file with the same name in the model directory that was filed on July28 . After all the files in the model directory have been opened, the links to the RF_Rpts_06 file should be updated.

RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16

RESPONSE TO QUESTION 12 (continued):

i. An Excel file linking Exhibits 31A through 31E to their work-paper sources is included in the attachment to this response, LR-L-196.

R2006-1

United States Postal Service

James W. Page
(USPS-T-23)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAGE (USPS-T-23) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 20, QUESTION 2

2. Please provide the rationale for classifying each account number listed in USPS-LR-L-111 Attachment 17, as fixed or variable costs of the Confirm service.

RESPONSE:

The base year costs were actual costs from the Confirm finance number broken down by Financial Performance Report (FPR) number and account number. All costs for the Confirm service specified in Attachment 17 are in finance number 606241. The categories of costs from the accounting system in which Confirm accrued costs were shown to the analysts who develop the CRA report. They advised me how to classify the different costs by looking at where the listed accounts are placed for CRA purposes, and under what category, variable or fixed, they fall. What I call "fixed" costs are treated the same as costs referred to as "product specific" costs in the CRA. The cost data and their classifications as fixed or variable are the same in both USPS-LR-L-59 (USPS version) and USPS-LR-L-111 (PRC version). Also see my responses to interrogatories MMA/USPS-T23-3 and 4 (Tr. 15/4710-12) and OCA/USPS-T23-20 and 21 (Tr. 15/4731-32).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAGE (USPS-T-23) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 20, QUESTION 3

3. For each account number listed in USPS-LR-L-111 Attachment 17, please explain how (a) base year costs were developed and (b) test year costs were projected for the Confirm service. Please provide all relevant assumptions, calculations and data sources.

RESPONSE:

The costs for the base year were determined by using the actual costs from the Postal Service accounting system. The base year costs were actual costs from the Confirm finance number broken down by Financial Performance Report (FPR) number and account number. All costs for Confirm service specified in Attachment 17 are in finance number 606241. There was no cost development needed due to the fact that Confirm costs are real costs from an accounting system.

The projected costs for Confirm were developed through management assessment of future costs through FY 2008. The projection of costs assumes witness Mitchum's volume projections, and no new product additions. The costs assume that Confirm servers have more then enough capacity and do not need to be replaced due to obsolescence. The product has no growth expected through test year FY 2008, and will not need new equipment purchases due to new product additions. The test year costs were projected by the product manager in the same manner as budget calculations are done. The cost data provided for Confirm are the same in both USPS-LR-L-59 (USPS version) and USPS-LR_L-111 (PRC version).

Please also see my responses to interrogatories OCA/USPS-T23-4 to 21 (Tr. 15/4715-32).

R2006-1

United States Postal Service

Thomas M. Scherer
(USPS-T-33)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHERER (USPS-T-33) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 20, QUESTION 1

1. Please refer to USPS-LR-L-120. Please provide the source of the following:
   a. Cells C15 through K15 in file DWZ-5.xls worksheet "Cubic Assessment;"
   b. Cells F11 through F13 in file DWZ-5.xls worksheet "Weight;"
   c. Cells C15 through K15 in file DWZ-6.xls worksheet "Cubic Assessment;"
   d. Cells F11 through F13 in file DWZ-6.xls worksheet "Weight;"
   e. Cells C15 through K15 in file DWZ-7.xls worksheet "Cubic Assessment;"
   f. Cells F11 through F13 in DWZ-7.xls worksheet "Weight;"
   g. Cells C15 through K15 in file DWZ-8.xls worksheet "Cubic Assessment;"
   h. Cells F11 through F13 in file DWZ-8.xls worksheet "Weight."

RESPONSE:

To preface, please note, per page 1 and the first paragraph of page 2 of USPS-LR-L-120, that the electronic file DWZ-5.xls corresponds to Exhibit I (Zone 5 Impacts) of USPS-LR-L-120, DWZ-6.xls corresponds to Exhibit II (Zone 6 Impacts), DWZ-7.xls corresponds to Exhibit III (Zone 7 Impacts), and DWZ-8.xls corresponds to Exhibit IV (Zone 8 Impacts). Table numbers are provided in the exhibits (*e.g.*, Tables Z5-1 through Z5-65 in Exhibit I), but they are not immediately apparent in the "DWZ" electronic versions. However, when printing out any table in the "DWZ" files, the table number will appear as a header.

[a, c, e, g] Please see page 5 of USPS-LR-L-120, which, referring to Table Z5-5 in DWZ-5.xls (and by extension, Table Z6-5 in DWZ-6.xls, Table Z7-5 in DWZ-7.xls, and Table Z8-5 in DWZ-8.xls), says: "Average cubic feet estimations for the nine cubic volume intervals, from USPS-T-29, Table

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHERER (USPS-T-33) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 20, QUESTION 1

5, are provided in the first row of the table." So the source is USPS-T-29, Table 5.

[b, d, f, h] Please see page 8 of USPS-LR-L-120, which, referring to Table Z5-11 in DWZ-5.xls (and by extension, Table Z6-11 in DWZ-6.xls, Table Z7-11 in DWZ-7.xls, and Table Z8-11 in DWZ-8.xls), says: "The weights for the flat-rate envelope and at one and two pounds are derived from ounce-increment data in a 'special weight report' derived from ODIS-RPW sampling." To be more precise, the "special weight data" (for FY 2005) derive from ODIS-RPW sampling for the majority of volume that is non-permit mail but from the Postal One data system for permit mail. In addition, while the average weights at one and two pounds do in fact derive from the "special weight report," average weight for the flat-rate envelope, 0.743 pounds, comes from the FY 2005 RPW Extract File (also ultimately derived from ODIS-RPW sampling for non-permit mail and Postal One for permit mail). Please note that the very same average weights appear in USPS-T-33, Attachment A, Table 5, with the sources indicated. It is perhaps worth mentioning that the average flat-rate-envelope weight is not relevant to the dim-weight pricing model in USPS-LR-L-120 because flat-rate envelopes are not larger than one cubic foot and therefore will not qualify for dim-weighting.

R2006-1

United States Postal Service

Marc A. Smith
(USPS-T-13)

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 1

1. *In the response to POIR 10, Question 2, and POIR 14, Question 5,* witness Smith provides flat and parcel Adjustment Ratios and Adjusted Unit Costs for Standard ECR and First-Class presort, respectively.

Please provide, for the base year and the test year, versions of USPS-LR-L-53 and USPS-LR-L-99 (revised July 6, 2006) that incorporate these adjustments and calculate adjusted unit costs by MODS cost pool for the affected categories of mail. Please be sure to adjust all appropriate factors (including the ratio of TY to BY volumes) and link them to their sources. Please also include unit mail processing costs by MODS pool for (1) First-Class single-piece metered flats, and (2) First-Class single-piece permit imprint parcels, developed and presented in the same manner as the costs of First-Class single-piece metered letters. Please show all calculations, identify all data sources, and explain all assumptions.

RESPONSE:

The requested unit costs are provided in USPS-LR-L-184 for the USPS version and in USPS-LR-L-185 for the PRC version.

There are important caveats and concerns on providing the requested unit costs, suggesting caution in their use, as discussed below.

First, the important reservations indicated in my responses to POIR 10, Question 2, and POIR 14, Question 5, apply to the requested Standard ECR and First-Class presort flat and parcel unit costs presented in Library References 184 and 185. As indicated in my prior responses, the unknown nature of the inconsistency between certain costs and volumes and the large size of certain adjustments raise significant questions on the accuracy of these costs.

Second, in developing the First-Class single-piece parcel/IPP unit costs for permit imprint indicia, significant questions related to determining the costs and volumes for this category were encountered, irresolvable at this time.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 1

The test year First-Class single-piece parcel/IPP permit imprint unit costs indicated in USPS-LR-L-184 are 55.6 cents; those indicated in USPS-LR-L-185 are 60.3 cents. These costs were developed using the same methods previously applied to First-Class single-piece metered letters. As indicated below, IOCS does not provide indicia information for all tallies. In addition, the volumes for First-Class single-piece parcel/IPP unit costs for permit imprint indicia were obtained from USPS-LR-L-87, which presents revenue, pieces and weight by shape and other characteristics. As discussed below, there is cause to look into the potential inconsistency between volumes and costs that has arisen in other costs by shape, as discussed in my testimony, USPS-T-13, pages 34-35 and in my responses to POIR 10, Question 2, and POIR 14, Question 5.

For costs, IOCS tallies for First-Class single-piece parcel/IPP for certain types of containers (sacks and pallets) do not report indicia. This is true for all IOCS tallies obtained from Question 24, which asks about sacks and pallets of non-identical mail. In Question 24, IOCS data collectors record pieces by subclass and shape, but do not collect detailed information on mailpiece characteristics, such as indicia, that are recorded in Question 23. As a result, these costs cannot be directly assigned to any indicia, leading to a potential understatement of First-Class single-piece permit imprint parcels/IPP costs using the current methods.

In the case of volumes, the potential for inconsistency between costs and volumes for First-Class single-piece parcel/IPP permit imprint mail is an issue being investigated. RPW volumes by shape and indicia reported in USPS-LR-L-

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 1

87 for First-Class single-piece permit imprint indicia are based on postage statements, while the volumes for the other indicia for First-Class single-piece permit imprint indicia are based on the ODIS-RPW sample based volumes. Over the next several weeks we will be exploring the ODIS-RPW sample based volumes for First-Class single-piece permit imprint indicia to see if there is a significant divergence between the postage statements and sample based results. If so, this would indicate a significant inconsistency between costs and volumes, thereby indicating one should not rely on this unit cost.

SUPPLEMENTAL RESPONSE OF POSTAL SERVICE WITNESS SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 1

1. In the response to POIR 10, Question 2, and POIR 14, Question 5, witness Smith provides flat and parcel Adjustment Ratios and Adjusted Unit Costs for Standard ECR and First-Class presort, respectively.

   Please provide, for the base year and the test year, versions of USPS-LR-L-53 and USPS-LR-L-99 (revised July 6, 2006) that incorporate these adjustments and calculate adjusted unit costs by MODS cost pool for the affected categories of mail. Please be sure to adjust all appropriate factors (including the ratio of TY to BY volumes) and link them to their sources. Please also include unit mail processing costs by MODS pool for (1) First-Class single-piece metered flats, and (2) First-Class single-piece permit imprint parcels, developed and presented in the same manner as the costs of First-Class single-piece metered letters. Please show all calculations, identify all data sources, and explain all assumptions.

Supplemental Response:

The October 12, 2006 response to this question indicated: "Over the next several weeks we will be exploring the ODIS-RPW sample based volumes for First-Class single-piece permit imprint indicia to see if there is a significant divergence between the postage statements and sample based results. If so, this would indicate a significant inconsistency between costs and volumes, thereby indicating one should not rely on this unit cost." This supplemental response reports on that investigation.

As discussed in my testimony, USPS-T-13, page 35, an indication of inconsistency can be obtained by comparing RPW by Shape Report data (from USPS LR-L-87) with ODIS-RPW sample based volumes. ODIS-RPW volume reporting by shape is consistent with the reporting of cost by shape, since both ODIS-RPW and IOCS are sample based and use the same methods to determine piece shape. The investigation shows that there is a potential divergence between the RPW (postage statements) and the ODIS-RPW (sample based) results for First-Class single-piece parcel/IPP permit imprint mail

volumes, which suggests a potential inconsistency between costs and volumes for this mail.

USPS LR-L-87 indicates First-Class single-piece parcel/IPP permit imprint mail volumes of 176.149 million in FY 2005. This estimate is based on postage statements reporting 161.852 million pieces, with an additional 14.296 million pieces from ODIS-RPW sample based estimates for Business Reply Mail (BRM) and Merchandise Return Service (MRS). The ODIS-RPW sample-based estimate for the non-BRM, non-MRS First-Class single-piece parcel/IPP permit imprint mail volumes (controlled to RPW) is 140.325 million.[1] Thus the postage statement volumes of 161.852 million exceed the ODIS-RPW sample based volumes of 140.325 million by approximately 15 percent. This difference could suggest that the IOCS (sample based costs) are based on a smaller volume of mail than that indicated in the postage statements, and that the unit cost would be understated as a result.

Consequently, the test year First-Class single-piece parcel/IPP permit imprint unit costs of 55.6 cents reported in USPS-LR-L-184 and 60.3 cents in USPS-LR-L-185 are potentially understated. This is due to the potential inconsistency of volumes and costs reported in this supplemental response and

[1] The ODIS-RPW sample based volume for First-Class single-piece parcel/IPP permit imprint mail, without controlling to RPW totals, is 155.698 million for FY 2005. The RPW-ODIS sample based volume for all First-Class Mail single-piece is 48,128.201 million for FY 2005. Using RPW-ODIS sample volumes as a distribution key for RPW First-Class single-piece volumes of 43,375.988 million, we have the following calculation: (155.698/48,128.201) X 43,375.988 = 140.325 million, representing the FY 2005 ODIS-RPW sample based volume for First-Class single-piece parcel/IPP permit imprint mail, controlled to RPW totals.

SUPPLEMENTAL RESPONSE OF POSTAL SERVICE WITNESS SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 1

the previously reported potential understatement of First-Class single-piece parcel/IPP permit imprint costs since IOCS does not provide indicia for all tallies.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 4

4. Please refer to USPS-LR-L-52, revised August 22, 2006, and USPS LR-L-98, revised August 22, 2006.
   a. In the worksheet TYPBack.USPS.XLS, it appears that the costs used to calculate the class-specific piggyback factors are not using the revised rollforward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-165 through 167. Please provide a revised TYPBack.USPS.XLS worksheet using the revised rollforward costs.
   b. In the worksheet TYPBack.finaladj.USPS.XLS, it appears that the costs used to calculate the class-specific piggyback factors for final adjustments are not using the revised rollforward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-165 through 167. Please provide a revised TYPBack.FinalAdj.USPS.XLS worksheet using the revised rollforward costs.
   c. In the worksheet TYPBack.PRC.XLS, it appears that the costs used to calculate the class-specific piggyback factors are not using the revised rollforward costs as filed by the Postal Service on August 16, 2006 as USPS-LR-L-168, LR-L-169 1 and LR-L-169 2. Please provide a revised TYPBack.PRC.XLS worksheet using the revised rollforward costs.
   d. In the worksheet TYPBack.finaladj.PRC.XLS, it appears that the costs used to calculate the class-specific piggyback factors for final adjustments are not using the revised rollforward costs as filed by the Postal Service on August 16, 2006 as USPS-LR-L-168, LR-L-169 1 and LR-L-169 2. Please provide a revised TYPBack.finaladj.PRC.XLS worksheet using the revised rollforward costs.

RESPONSE:

a. &b. The requested spreadsheets are provided in USPS-LR-L-186 for the USPS version.

c. & d. The requested spreadsheets are provided in USPS-LR-L-187 for the PRC version.

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United States Postal Service

Rachel Tang
(USPS-T-35)

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-T35-23. Please refer to USPS-LR-L-126, REV 7-13-2006 LR 126 Outside County Revised.xls, worksheet "Pound Data_Ed."

(a) Please confirm that the SOA leakages calculated in cells C19 and C20 of this worksheet should be calculated relative to Zones 1&2, rather than relative to the next higher level (e.g., DDU relative to DSCF). If not confirmed, please explain fully.

(b) Please confirm that you calculated the SOA leakages in cells C19 and C20 relative to the next higher level. If not confirmed, please explain fully.

(c) Please confirm that the formula in cell C19 should be "=('Pound Data_Adv'!D92-'Pound Data_Adv'!D89)/1.25." If not confirmed, please explain fully.

(d) Please confirm that the formula in cell C20 should be "=('Pound Data_Adv'!D92-'Pound Data_Adv'!D90)/1.25." If not confirmed, please explain fully.

(e) Please confirm that, to produce the proposed rates, correcting the formulae in cells C19 and C20 requires changing the formula in cell C34 to "=ROUND(C37-C19,3)" and the formula in cell 35 to "=ROUND(C37-C20,3)." If not confirmed, please explain fully.

RESPONSE:

(a-d) Confirmed that, when estimating revenue leakages caused by the editorial pound dropship rates, my workpapers calculate the SOA leakage in cells C19 and C20 relative to the next higher level. My workpapers calculate the editorial pound revenue leakages for Regular Outside County relative to Zones 1&2. One way to make these methodologies consistent with each other would be to calculate the SOA revenue leakage calculation as suggested in parts c-d.

(e) Confirmed. Given the fact that the same passthrough, 80 percent, has been applied to cells C19, C20, and C21, changing the formulae does not seem to cause material change to the proposed rates.

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-T35-24. Please refer to USPS-LR-L-126, REV 7-13-2006 LR 126 Outside County Revised.xls, worksheet "Pound Data_Ed." Please also refer to page 8, lines 20 through 24, of your testimony (USPS-T-35), where you state:

> In order to make sure that the ECSI value from editorial pounds is recognized and reflected in rate design, an adjustment of $0.013 is applied to the average editorial pound rate. The revenue leakage cause by this adjustment is added back to the total revenue required from the pound side and allocated to both the editorial and advertising sides.

(a) Please confirm that the revenue leakage that you "add back" to the total revenue required from the pound side is equal to the unzoned editorial pounds times $.013. If not confirmed, please provide what you believe to be the correct value, and explain fully.

(b) Please confirm that, in addition to the revenue leakage from the unzoned editorial pounds, the $.013 adjustment you made will also result in a $.013 per editorial pound revenue leakage for the DDU, DSCF and DADC editorial pounds in cells D28-D30. If not confirmed, please explain fully.

(c) Please confirm that the $.013 adjustment you made will also result in a revenue leakage for SOA editorial pounds in cells D34-D37 of $.01 per SOA editorial pound. If not confirmed, please explain fully.

(d) Please confirm that the total revenue leakage from the $.013 adjustment you made is equal to $.013*sum(D28:D31)+$.01*sum(D34:D37) and that this formula results in a total leakage estimate of $28,249,721. If not confirmed, please provide what you believe to be the correct values, and explain fully.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 8

8. Please refer to witness Thress's response to POIR 9, Question 1, where he acknowledged that the rates he used for forecasting Outside County Periodicals TYAR volumes were not the same as the rates proposed by the Postal Service for Outside County Periodicals. The resulting TYAR revenue calculated by witness Tang using the proposed rates and the above-mentioned volume forecast is, therefore, inaccurate. Please provide amended Outside County workpapers (USPS-LR-L-126) which calculate revenue that reflects a new volume forecast consistent with Postal Service proposed rates. Please compare your result with USPS-LR-L-174 (Workpapers of witness O'Hara, USPS-T-31, Filed August 25, 2006) for Outside County Periodicals, and make appropriate adjustments to arrive at a single, consistent result.

RESPONSE:

See the spreadsheet associated with this response, which reflects a volume forecast consistent with Postal Service proposed rates, and is consistent with the spreadsheet provided by witness O'Hara in response to Question 12.

Worksheets that include changes have tabs marked in red.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TANG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 23, QUESTION 1

1. Please refer to USPS-LR-L-126, file 'Rev 7-13-2006 LR 126 Outside County Revised,' worksheet 'Discounts.' Refer also to the attached spreadsheet. Please confirm that the calculations in cells J15 and J16, respectively of the attached spreadsheet represent an acceptable method for calculating the cost savings associated with 3-digit and 5-digit automation letters. If not confirmed, please explain fully and point out any errors in the attached spreadsheet.

RESPONSE:

Confirmed.

Automation Letter Discount Calculations from Rev 7-13-2006 LR 126 Outside County Revised Worksheet Discounts

		Source for Col. 1 Sheet Discount	Unit Mail Proc. Cost + Unit Del. Cost (Cents) (1)	Source for Col. 2	Unit Cost Differentials (Cents) (2)	Source for Col. 3	Discounts (Cents) (3)	Discounts (Dollars) (4)=(3)/100	For use in Sheet Discount
1	Basic Nonautomation Flat	E30	38.832						
2	Basic Nonautomation Letter	E40	21.613	Col.1, L.1 - L.2	17.219		N/A	N/A	
3	Basic Automation Letter	E44	9.233	Col.1, L.2 - L.3	12.38	Col.2, L.2 + L.3	29.599	$0.296	F44 =((E30-E40)-(E44-E40))/100
4	3-Digit Automation Letter	E45	7.922	Col.1, L.3 - L.4	1.311	Col.3, L.2 + Col.2, L.4	30.910	$0.309	F45 = F44 + (E44-E45)/100
5	5-Digit Automation Letter	E46	6.817	Col.1, L.4 - L.5	1.105	Col.3, L.23+ Col.2, L.5	32.015	$0.320	F46 = F45 + (E45-E46)/100

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United States Postal Service

Altaf H. Taufique
(USPS-T-32)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

10. Please refer to: (1) USPS-LR-L-129 "First-Class Mail Rate Design Spreadsheets (Taufique)," revised August 24, 2006, and (2) USPS-LR-174 "Workpapers of Witness O'Hara," filed August 25, 2006. In the sheet "Prcl Presrt Assump. Reverse" of USPS-LR-L-129, witness Taufique calculates the adjustments to 2007 AR and 2008 TYAR volume and revenue of First-Class single-piece and presort letter categories that he thinks are necessary for reversing his initial assumption that 36 percent of single-piece and 100 percent of presort parcels will shift to the new proposed First-Class business parcels category. The reversal includes adjustments to the volume and revenue of single-piece and presort letter categories, calculated initially in the sheet "Rev. FY08BR&FY08AR" of USPS-LR-L-129.

It appears that witness Taufique's revenue adjustments are incorrect because in his calculations he did not use the Revenue Adjustment Factors (RAFs) from the 2005 Billing Determinants. This is inconsistent with the originally calculated revenue to which the adjustments are applied. The original revenue calculations in the sheet "Rev. FY08BR&FY08AR" of USPS-LR-L-129 correctly include the application of the 2005 RAFs.

a. Please confirm that the 2007 AR and 2008 TYAR revenue figures for First-Class single-piece and presort letter categories calculated in the sheet "Rev. FY08BR&FY08AR" and adjusted in the sheet "Prcl Presrt Assump. Reverse" of USPS-LR-L-129 are incorrect. These incorrect after-rates revenue figures have been reported in Exhibit USPS-31B and the following four spreadsheets of USPS-LR-L-174: (1) "AR 2007 Vol & Rev;" (2) "AR 2007 Rev & Cost;" (3) "AR 2008 Vol & Rev;" and (4) "AR 2008 Rev & Cost."

b. Please formulate and articulate clearly one and only one assumption regarding the redistribution to rate categories of First-Class after-rates volumes that result from the proposed new shape-based classification. Please describe the anticipated revenue and cost implications of the assumption. Please recalculate after-rates revenue for First-Class Mail to reflect the assumption. The calculated revenue should show the effects of the assumption at the rate category level, not just as a bottom line adjustment. The format should be similar to WP-FCM-11a and 11b from the sheet "Rev. FY08BR&FY08AR" of USPS-LR-L-129.

c. Please revise USPS-LR-L-129 to show step-by-step how the First-Class 2007 AR and 2008 TYAR revenues are calculated. Please ensure that the First-Class revenue figures calculated in USPS-LR-L-129 agree with those reported in USPS-LR-L-174 and exhibits USPS-31A through USPS-31C.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

RESPONSE to Question 10

a. Confirmed. This mistake is not being corrected. The assumption regarding parcels is being reversed to match the assumption in the original proposal, i.e., 36 percent of single-piece parcels and 100 percent of nonautomation presort parcels are assumed to move to the new presort business parcel category.

b. The Postal Service's assumption regarding the new First-Class Mail Business/Presort parcels is the same as was originally filed in USPS-T-32, i.e., 36 percent of single-piece parcels and 100 percent of nonautomation presort parcels are assumed to move to the new presort business parcel category. The costs and revenue resulting from this change are provided in WP-FCM 12 for FY 2008 Test Year After Rates Financials for Letters & Sealed Parcels. Workpaper FCM 11a reflects this assumption.

c. A revised USPS LR-L-129 is being filed today.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

11. Please refer to: (1) USPS-LR-L-129 "First-Class Mail Rate Design Spreadsheets (Taufique)," revised August 24, 2006, and (2) USPS-LR-L-174 "Workpapers of Witness O'Hara," filed August 25, 2006.

a. Please confirm that the First-Class single-piece letter TYBR postage revenue figure of $18,203,589 (000), pasted (hard coded) by witness O'Hara in the sheet "BR 2008 Vol & Rev" of USPS-LR-L-174, does not agree with the single-piece letter TYBR postage revenue figure of $18,130,005 (000), calculated by witness Taufique in the sheet "Rev. FY08BR&FY08AR" of USPS-LR-L-129. Please confirm that the figure calculated by witness Taufique is about $74 million lower then the figure reported by witness O'Hara. Finally, please confirm that the figure pasted by witness O'Hara in USPS-LR-L-174 is the correct postage revenue figure and the figure calculated by witness Taufique in USPS-LR-L-129 is incorrect. If any part of the question is not confirmed, please explain fully. Please show step-by-step how the pasted postage revenue figure of $18,203,589 (000) in USPS-LR-L-174 is calculated.

b. Please add six summary tables to USPS-LR-L-129, one for each of the following years: BY 2005, FY 2006 Before Rates, FY 2007 Before Rates, TY 2008 Before Rates, FY 2007 After Rates, and TY 2008 After Rates. Each table should show the annual volume, postage revenue, fees, and total revenue for the following First-Class mail categories: (1) single-piece letters, flats and parcels; (2) presort letters, flats and parcels; (3) automation letters, flats and parcels; (4) single-piece cards; (5) presort cards; and (6) automation cards. The tables should also show the NSA volume and revenue adjustments of First-Class workshared letters, flats and parcels. Please provide the sources of volumes and fees and show step-by-step how the postage revenue and the NSA volume and revenue adjustments are calculated for the above mail categories and years. Please ensure that the final values of volume, postage revenue, fees and NSA adjustments are not hard coded but are electronically linked to their source. Finally, please make sure that the figures of volume, postage revenue, fees, and NSA adjustments in the above six tables agree with those shown in the summary tables for the corresponding years in USPS-LR-L-174. Below is a template for the requested six tables:

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

QUESTION 11 (continued):

Docket R2006-1: First-Class Mail -Summary of Volume and Revenue
(In Thousands)

	First-Class Mail Categories	Year Volume (1)	Postage Revenue (2)	Fees (3)	Total Revenue (4)=(2)+(3)
(a)	Single-Piece Letters, Flats and Parcels				
(b)	Presort Letters, Flats and Parcels				
(c)	Automation Letters, Flats and Parcels				
(d)=(b)+(c)	Total Presort or Workshared Pieces w/o NSA				
(e)	NSA Adjustment				
(f)=(d)+(e)	Total Presort or Workshared Pieces w/ NSA				
(g)=(a)+(f)	Total Letters, Flats and Parcels				
(h)	Single-Piece Cards				
(i)	Presort Cards				
(j)	Automation Cards				
(k)=(i)+(j)	Total Presort or Workshared Cards				
(l)=(h)+(k)	Total Cards				
m=(g)+(l)	Total First-Class Mail				

RESPONSE

a. Confirmed. The revised LR-L-129, WP-FCM 11a shows the calculation. The number matches witness O'Hara's (USPS-T-31) estimated TYBR revenue of $18,203,589 (000).

b. The following worksheets have been added:

WP -FCM -19(a&b) -- This is the FY 2005 Volume and Revenue by subcategories, as reported from the FY 2005 Billing Determinants.

WP-FCM-20(a&b) -- FY 2006 Test Year Before Rates for the full year.

WP-FCM-21(a&b) -- FY 2007 Test Year Before Rates for the full year. The original submission reflected a split year only.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

RESPONSE to Question 11 (continued):

WP-FCM-22 -- New tables have been added to address the POIR 16 request for a breakout of the NSA Volume and Revenue. These are the FY 2005 Base Year results.

WP-FCM-23 -- New tables have been added to address the POIR 16 request for a breakout of the NSA Volume and Revenue. These are the FY 2006 Before Rates results.

WP-FCM-24 -- New tables have been added to address the POIR 16 Request from the PRC for a breakout of the NSA Volume and Revenue. These are the FY 2007 Before Rates results.

WP-FCM-25 -- New tables have been added to address the POIR 16 request for a breakout of the NSA Volume and Revenue. These are the FY 2007 After Rates results.

WP-FCM-26 -- New tables have been added to address the POIR 16 Request for a breakout of the NSA Volume and Revenue. These are the FY 2008 Before Rates results.

WP-FCM-27 -- New tables have been added to address the POIR 16 request for a breakout of the NSA Volume and Revenue. These are the FY 2008 After Rates results.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

RESPONSE to Question 11 (continued):

NSA Worksheet -- A worksheet has been added to reflect the NSA Before and After Rates Volume and Revenue.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE TO PRESIDING OFFICER'S INFORMATION REQUST NO. 16

3. Please refer to the response to POIR 7, Question 1, USPS-LR-L-129, WP-FCM-5c (revised August 24, 2006), and the response to POIR 14, Question 2.
   a. The response to POIR 14, Question 2, states that "there would be an incentive to keep the pieces at exactly 2 ounces or lighter than 2 ounces rather than exceed 2 ounces. There are no data to make an adjustment for changes in behavior to avoid either the nonmachinable surcharge or the additional ounce postage." Please confirm that this means that the Postal Service's position is that First-Class business parcels weighing between 1 and 2 ounces will pay the nonmachinable surcharge. If not confirmed, please explain.
   b. Please confirm that the percentages of business parcels that will pay the nonmachinable surcharge (currently 3 percent of parcels from single-piece and 58 percent of parcels from presort) should be corrected to reflect the percentages of parcels weighing less than 2 ounces (about 19 percent of single-piece and about 73 percent of presort). If confirmed, please provide a revised copy of USPS-LR-L-129 that includes this correction. If not confirmed, please explain.

RESPONSE

a. Confirmed.

b. Confirmed. This change has been made on the revised version of USPS Library Reference L-129 that is being filed today in conjunction with this POIR response. In the revised Library Reference, please see workpaper WP-FCM 5c, cells O35 and O36 for the changes. Also, a note was added at Cell O34, and a note in cell O40 was revised, to indicate that the surcharge is applicable to pieces weighing less than 2.0 ounces (rather than 1.6 ounces, which was incorrect and inadvertently left unchanged from an earlier version of the workpaper).

RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE (USPS-T-32) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 9

9. Please refer to: (1) USPS-LR-L-130 "Negotiated Service Agreements Spreadsheets (Taufique)" and (2) USPS-LR-L-174 "Workpapers of Witness O'Hara," filed August 25, 2006.
   a. Please provide the NSA adjustments made to the revenue of First-Class automation letters, Standard regular and Standard ECR mail categories separately for FY 2006 Before Rates, FY 2007 Before Rates, TY 2008 Before Rates, FY 2007 After Rates, and TY 2008 After Rates. Please present the NSA revenue adjustments the same way as the NSA volume adjustments are shown in USPS-LR-L-174. Please show step-by-step how the NSA volume and revenue adjustments are calculated for the above mail categories and years. Please ensure that the final values of the NSA adjustments are not hard coded but are electronically linked to their source.
   b. If the process of answering question (a) results in changes to USPS-LR-L-130 and USPS-LR-L-174, please provide copies of the revised library references.

RESPONSE:

(a) The requested NSA revenue adjustments are presented in LR-L-188, which is being filed today. This Library Reference contains the requested revenue adjustments in the sheets labeled "TYAR NSA Adjustment" and "TYBR NSA Adjustment." The sheets labeled "FY2006 BR," "FY2007 TYBR and TYAR," and "FY2008 TYBR and TYAR" document revenue adjustments for each NSA that were previously hard coded in LR-L-130. Also included is a spreadsheet labeled "NSA Filing Forecasts" that consolidates the original volume forecasts for each NSA. Finally, the "Standard Mail Composition" sheet provides the breakdown of Standard Regular and Standard ECR mail volumes for each NSA.

(b) N/A

R2006-1

United States Postal Service

Institutional

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS REDIRECTED FROM WITNESS KIEFER

APS/USPS-T36-3. Please confirm that from approximately 1993 through approximately 1999, the Postal Service engaged a consultant named SAI to study the structure, rates and/or services of the segment of the alternate delivery industry represented by AAPS here, that is, companies engaged primarily in the door-to-door delivery of advertising material, product samples and usually free newspapers. If you cannot confirm (after reviewing, if necessary, material submitted by AAPS and the Postal Service in Docket Nos. MC95-1, R97-1 and R2000-1), please explain why.

RESPONSE

Confirmed. The last report from SAI was dated August 2000.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS REDIRECTED FROM WITNESS KIEFER

AAPS/USPS-T36-4. Has the Postal Service requested or received any studies of the alternate delivery industry since the 1999 update to the SAI report? If so, please describe such studies and provide copies of any reports or updates produced.

RESPONSE

Please see the response to AAPS/USPS-T36-3. The August 2000 document was a report on a project to undertake a competitive assessment of alternative delivery systems. A Motion for Protective Conditions had been filed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS REDIRECTED FROM WITNESS KIEFER

AAPS/USPS-T36-5. If the Postal Service has not requested any studies of the alternate delivery industry since the 1999 update to the SAI report, has it obtained similar information—that is, information on the rates and/or services offered by alternative delivery companies—since 1999? If so, please describe those efforts and provide copies of any reports, information or data that were generated.

RESPONSE

Aside from the study report described in my response to AAPS/USPS-T36-4, no further studies have been requested or procured.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS REDIRECTED FROM WITNESS KIEFER

AAPS/USPS-T36-7. *What percentage of Standard, ECR Saturation pieces fall within* the following weight ranges: 0-1 ounce, 1-2 ounces, 2-3 ounces, 3-4 ounces, 4-5 ounces, 5-6 ounces, 6 ounces or more?

RESPONSE:

See the following table:

AAPS/USPS-T36-7
FY 2005 Standard Mail Saturation by Ounce Increment
Source: USPS-LR-L-87 Standard First Wgt Ind Tables.xls

0 to 1 ounce	31.4%
1 to 2 ounces	18.7%
2 to 3 ounces	23.3%
3 to 4 ounces	7.2%
4 to 5 ounces	9.8%
5 to 6 ounces	4.7%
Over 6 ounces	4.9%

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-253
Please provide your best estimate of the percentage of processing facilities that provide overnight First-Class Mail service standards to all of the SCF or 3-digit ZIP Code destinations that have a transit time of three hours or less dock-to-dock and receive 1.5% or more of the originating volume of the facility.

RESPONSE

For the reasons expressed and referenced in its objection and in its reply to the motion to compel, the Postal Service has no empirical basis for estimating this percentage. Short of performing the estimated 3 hours of analysis necessary to review each of 450 mail processing plants and develop a precise estimate of the number that provide overnight First-Class Mail service to all of the possible 932 destinating 3-digit ZIP Code areas that might receive 1.5 percent of the origin's ZIP Code's First-Class Mail, the Postal Service has no basis for determining how good any particular employee's "best guess" of that percentage might be. Accordingly, the Postal Service considers it imprudent to require any employee, for purposes of this interrogatory, to offer an institutional "best guess" that has no reliable foundation for support.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-254
[a] Please discuss why the "line" between First-Class Mail overnight and 2-day service is not complied with to the same extent as the "line" between 2-day and 3-day service standards is complied with.
[b] Please discuss any plans to improve the level of compliance for the overnight/2-day line.

RESPONSE

(a) If that is so, it is not known why it is so.

(b) This response assumes, perhaps vainly, that the question refers to any non-compliance with the *actual* demarcation between the overnight and two-day service standard definitions, and that the question recognizes that the actual overnight definition does not requires delivery to all 3-digit zones within a 3-hour drive that meet the 1.5 percent volume threshold.

The precise level of systemwide 1-day/2-day demarcation non-compliance is unknown and, therefore, it is not known precisely how it compares to 2-day/3-day demarcation non-compliance. Case-by-case analysis of 1-day/2-day demarcation non-compliance have not been performed. Service standards are reviewed on a case-by-case basis, as a part of such programs as the Evolutionary Network Development initiative. These programs present opportunities to analyze any deviations that are and to consider and execute change.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

Revised November 6, 2006

DBP/USPS-317 Please provide any data that exists, such as mystery shopper reports, which would show the extent to which the waiting time at post offices is higher than normal immediately before and/or after a rate increase.

RESPONSE:

No such reliable data exists.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-535 Please refer to your response to Interrogatory DBP/USPS-317.
[a] Please confirm, or explain if you are unable to confirm, that the mystery shopper reports indicate the time that the shopper had to wait for retail window service.
[b] Please indicate why it would not be possible to evaluate a significant number of these reports in the period before the last rate increase, after the last rate increase, and a representative time period not associated with the rate increase to obtain a response to the original interrogatory.

RESPONSE:

(a) Confirmed.

(b) No reliable data exists for the period before the last rate increase.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-571. Please refer to your response to Interrogatory DBP/USPS-462. Please advise whether the failure to include Delivery Confirmation and/or Signature Confirmation and/or Collect on Delivery Mail in your response to Interrogatory DBP/USPS-121 subparts b and c is because these three categories are not considered to be Accountable Mail or because they are not trackable on the Internet or and/or by telephone or both.

RESPONSE:

Mail with Delivery Confirmation or Signature Confirmation service is not considered to be Accountable Mail, because the carrier does not sign for such mail when it is taken out for delivery. The final disposition of Collect on Delivery mail is not available via the Internet or by telephone.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-673
Please refer to your response to Interrogatory DBP/USPS-285. Please advise specifically if there are any plans to expand or reduce the number of Automated Postal Centers [APCs] in service.

RESPONSE:

No additions or subtractions have been approved.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-677 Please refer to your responses to Interrogatories DBP/USPS-340 and 341 as revised on October 11, 2006. In the last sentence of the response to Interrogatory DBP/USPS-340, the Postal Service states that it is considering giving postage credit at the "forever value". In the response to Interrogatory DBP/USPS-341, the Postal Service states that the use of the stamp on other than one-ounce letters will be tolerated and the postage value will be at the prevailing rate for one-ounce letters. Please advise whether the Postal Service's current position is one of consideration as provided in the response to Interrogatory DBP/USPS-340 or is a positive statement as provided in the response to Interrogatory DBP/USPS-341.

RESPONSE

Rely on the "positive" statement.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID POPKIN
Revised: November 7, 2006

DBP/USPS-678 Please refer to your response to Interrogatory DBP/USPS-341 as revised on October 11, 2006. In the first sentence of the response, the Postal Service states that the use of the Forever Stamp is not meant to be "forever postage" and used on items other than one-ounce letters. In the response to Interrogatory DBP/USPS-353, the Postal Service stated that the Forever Stamp could very well become the "workhorse" stamp for the first ounce, single-piece First-Class Mail letter rate.

[a] Please confirm, or explain if you are unable to confirm, that with the current "workhorse" stamp, as well as with a number of previous "workhorse" stamps, that many individual mailers will use one or more copies of that stamp, to pay, overpay, or use with additional postage on most of their mail.

[b] Please discuss the apparent conflict between the responses to Interrogatories DBP/USPS-353 and 341.

RESPONSE

(a) Confirmed. Many mailers also will do so in connection with shortpaid mail.

(b) The conflict is not readily apparent to the Postal Service.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-679 Please refer to your response to Interrogatory DBP/USPS-341 as revised on October 11, 2006.

In the second sentence of the response, the Postal Service states that the use of the Forever Stamp will be tolerated if used for other than on one-ounce letters.

[a] Please define the word tolerated as used in the context of the response.

[b] Please advise how the concept of toleration of the use of Forever Stamps for other than its primary use will manifest itself in publicity and other action.

[c] Please advise if the publicity for the Forever Stamp will be limited to stating that it may be used for the postage on a one-ounce, single piece First-Class letter rate.

[d] Please advise if the publicity for the Forever Stamp will state or imply that it may only be used for the postage on other than a one-ounce, single piece First-Class letter rate.

[e] Please advise if the publicity for the Forever Stamp will state that it may be used for the postage on other than a one-ounce, single piece First-Class letter rate [i.e. for any use that may be made of other postage stamps].

[f] Please advise if the publicity for the Forever Stamp will state that it may not be used for the postage on other than a one-ounce, single piece First-Class letter rate.

RESPONSE

(a) It is used in the commonly accepted sense of the word.

(b-f) The content of publicity materials is finalized at a time when it is known what the Governors have decided and what rates and classifications will be implemented. It can be expected that these materials will concisely convey information that the Postal Service considers appropriate and necessary. It is much too early to speculate about the content of such materials.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-680 Please refer to your response to Interrogatory DBP/USPS-340 as revised on October 11, 2006. For purposes of the response to this Interrogatory, assume the following:
A1. The wording of the DMCS as it relates to the Forever Stamp and as presently proposed is approved by the Commission and the Board of Governors
A2. The Postal Service adopts the DMM regulations as presently proposed which will allow the Forever Stamp to be utilized for all purposes for which postage stamps may be utilized and at its "forever value".

Now assume that at some point in the future, the Postal Service wishes to change the DMM regulations to make one or more of the following changes:
B1. Allow the Forever Stamp to be utilized for all purposes for which postage stamps may be utilized at a value other than the "forever value" such as the valueat which the stamp was purchased.
B2. Restrict the use of the Forever Stamp to its intended purpose of a one-ounce, single piece First-Class letter,
B3. Restrict the use of the Forever Stamp so that it may not be utilized for all purposes for which postage stamps may be utilized.

[a] Does the Postal Service believe the wording in the DMCS as noted in item A1 above would restrict them from making any of the changes as noted in items B1 through B3 above?
[b] Does the Postal Service believe that if it wished to make any of the changes as noted in items B1 through B3 above it would have to change the wording of the DMCS as noted in item A1 above which would require litigation before the Commission as would any other change to the DMCS?
[c] Please fully discuss your responses and provide an explanation if your responses to subparts a and b above are not an unqualified yes to both of them.

RESPONSE

(a-c) Requests for declarations of whether or not the Postal Service considers any of these propositions to be the case, or what it believes it would be legally required to do one thing or another under different circumstances, appear to call for the statement of legal interpretations and conclusions, something that the Postal Service considers that it is not required to provide in response to discovery. It is the Postal Service's intent to adopt language in the DMM that reflects the intended and tolerated uses of the Forever Stamp, irrespective of whether all such uses remain unchanged and/or are specifically addressed in the DMCS.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-681 Please refer to your response to Interrogatory DBP/USPS-641. The response that was given to Interrogatory DBP/USPS-641 stated that the Postal Service is not able to confirm that some individual DPS mail may occur at a delivery unit before the carrier goes out on their route. I realize that some of the mailpieces may be observed individually while in the office, however, each and every individual mailpiece will not be likely to be observed until the carrier is out on the delivery route. Please respond to that condition.

RESPONSE

In response to DBP/USPS-641, the Postal Service stated that it could not confirm that all individual piece observations occurred *after* the carrier departed the office to begin delivery. Each and every piece can be "observed individually" *before and after* the carrier hits the street. The specificity of these "in-office" and "street" observations can also vary. Pieces that are not entered at a window and/or sorted manually before hitting the street are more likely to receive their initial or their highest degree of human postal employee visual scrutiny on the street.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-682 Please refer to your response to Interrogatory DBP/USPS-642 subpart c. Please confirm, or explain if you are unable to confirm, that the Governors would not be able to unilaterally implement Certified Mail for use with Express Mail, Periodicals, Standard Mail, or Package Services without obtaining a modification of the DMCS after receiving Commission approval.

RESPONSE

Not confirmed. Under 39 U.S.C. § 3625(d), modification could occur despite a recommendation by the Commission against such a proposed change.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-683 Please refer to your response to Interrogatory DBP/USPS-643.
[a] Please confirm, or explain if you are unable to confirm, that the material that is contained in the Domestic Mail Manual, the companion DMM Quick Service Guide, and the Customer's Guide to Mailing [Domestic Mail Manual 100 Series] will supplement and implement the criteria contained in the DMCS, however, that material may not be inconsistent with the criteria contained in the DMCS.
[b] Please respond to the original Interrogatory DBP/USPS-643.

RESPONSE

(a) Such materials should not and are not intended to contradict the DMCS.

(b) The question was answered.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-684 Please refer to your response to Interrogatory DBP/USPS-646. While the implementation process may be ongoing, Interrogatory DBP/USPS-646 asked whether the response to subpart b of Interrogatory DBP/USPS-510 is still the current status of the Postal Service's Forever Stamp implementation plan. Please advise whether it is.

RESPONSE

It should read: Another possible interpretation, which would be the correct one, is that the Forever Stamp is intended for use on single-piece First-Class Mail one-ounce letters. This excludes the first-ounce rate component of letters weighing more than one ounce. However, as acknowledged in the response to DBP/USPS-340, some mailers will at times use the Forever Stamp for an unintended purpose, whether a First-Class Mail flat or parcel, a First-Class Mail letter weighing more than one ounce, or another mail class altogether. The Postal Service intends to give ~~is considering giving~~ postage credit for such uses at the original purchase price~~, but a final determination has not yet been made~~. During the Forever Stamp's first rate cycle, from the time of its proposed inception when Docket No. R2006-1 rates are implemented, until rates are once again changed, there will be no difference between the stamp's value (proposed at 42 cents) and its purchase price (proposed at 42 cents). Therefore, how to value unintended postage uses will not be a (financial) issue. During the first rate cycle, the Postal Service will observe use of the Forever Stamp and examine the consequences of a ~~develop a~~ policy of tolerance for unintended postage uses, which will become a financial issue in subsequent rate cycles (when the stamp's value may exceed its original purchase price).

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-685 Please refer to your response to Interrogatory DBP/USPS-647. Please confirm, or explain if you are unable to confirm, that any use of the Forever Stamp, whether it is the intended use or a tolerated use, must be one that is authorized by the DMCS.

RESPONSE

It must not be inconsistent with what is intended by the DMCS, as faithfully implemented by the DMM, irrespective of whether every conceivable use is specifically addressed by the DMCS.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-686 Please refer to your response to Interrogatory DBP/USPS-647. Please confirm, or explain if you are unable to confirm, that the Postal Service may not tolerate a procedure or policy which is not consistent with the DMCS.

RESPONSE

See the response to DBP/USPS-685.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-687 Please refer to your response to Interrogatory DBP/USPS-657. Your response indicates that the Postal Service has moved beyond considering giving postage credit for such uses [i.e. ones that are being characterized as tolerated uses, namely, ones that are being utilized for any purpose for which postage stamps may be utilized] and now intends to give such credit.
Please clarify since current responses such as the October 11th revision of the response to Interrogatory DBP/USPS-340 as well as numerous other responses which still utilize the contemplation of considering.

RESPONSE

When in doubt, refer to the revised response to DBP/USPS-341 and to the response to

DBP/USPS-684.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-688 Please refer to your response to Interrogatory DBP/USPS-657. Your response indicates that the Postal Service has moved beyond considering giving postage credit for such uses [i.e. ones that are being characterized as tolerated uses, namely, ones that are being utilized for any purpose for which postage stamps may be utilized] and now intends to give such credit. Please advise the reasons behind making this change in policy.

RESPONSE

As is often the case in the Postal Service, the proposed policy evolved as a wider circle of internal stakeholders participated in its development.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-689 Please refer to your response to Interrogatory DBP/USPS-658. [a] Please confirm, or explain if you are unable to confirm, that the myriad rate and classification implementation details that are contained in the Domestic Mail Manual, the companion DMM Quick Service Guide, and the Customer's Guide to Mailing [Domestic Mail Manual 100 Series] may only supplement and implement the criteria contained in the DMCS, however, that material may not be inconsistent with the criteria contained in the DMCS. [b] Please respond to the original Interrogatory DBP/USPS-658.

RESPONSE

(a) Those publications may not contain provisions inconsistent with what is intended by the DMCS, irrespective of whether every conceivable intent is specifically addressed by the DMCS. It is not uncommon for some of the underlying basis for a DMCS provision to be referenced in a recommended decision of the Commission or a decision of the Governors, and for detailed information consistent with those decisions to be reflected in the DMM, but not the DMCS.

(b) The Postal Service responded to the original question.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-690 Please refer to your response to Interrogatory DBP/USPS-663. Please provide information on any additional guidelines that are contained in the template Notice 3-A that do more than just provide a clearer formatting of the DMM requirements. I also realize that the template also provides a convenient way to measure the mailpieces.

RESPONSE

Rather than waste additional time and resources in response to a quest for clarification of something that it did not say, the Postal Service can do nothing more at this point than refer you to its earlier responses.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-691 Please refer to your response to Interrogatory DBP/USPS-664. I realize that there are many criteria of a mailpiece which would cause implementation of the nonmachinable surcharge and that they operate independently. Please confirm, or explain if you are unable to confirm, that if I have a mailpiece that has only one of the nonmachinable criteria, namely, the envelope has a metal clasp, and if I place a piece of tape over the clasp so that there will no longer be an ability for the clasp to catch on something else during processing, that the mailpiece will no longer require payment of the nonmachinable surcharge.

RESPONSE

That is possible. However, the determination of whether that is the case in any particular instance would require an examination of an actual piece by an expert mail acceptance employee.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-692 Please refer to your response to Interrogatory DBP/USPS-665. The Postal Service should have a very strong understanding of the relevance of this line of questioning. They are proposing three separate rates for First-Class Mail based on the shape of the mailpiece, namely, whether the mailpiece is a letter vs. a flat vs. a parcel. In order to determine which of the three separate rates to apply to a specific mailpiece, the mailer and the Postal Service must not only measure the length and height of the mailpiece which probably can be done fairly easily and accurately but they also must measure the thickness of the mailpiece to determine whether it is less than 0.25 inches, between 0.25 and 0.75 inches, or over 0.75 inches. While the measurement of the thickness of a box may be accomplished fairly easily, the measurement of the thickness of an envelope raises a number of difficulties including, but not limited to, the compressibility of the mailpiece and the need to make an indirect measurement by sighting along the envelope and dealing with the inherent parallax associated with that type of measurement. Please respond to the original Interrogatory DBP/USPS-665.

RESPONSE

The Postal Service responded to the original interrogatory.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-693 Please refer to your response to Interrogatory DBP/USPS-666.
[a] At this point in time, does the Postal Service have any plans to provide retail window clerks with any other tools to determine the appropriate proposed First-Class Mail rate other than the Notice 3-A template, a ruler, and a scale.
[b] If none, so state. If so, please identify.

RESPONSE

The Postal Service is reviewing what its Docket No. R2006-1 implementation needs may be. At a time appropriate to meet its future needs, it will decide whether to procure and disseminate any necessary tools not already in widespread use.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-697 Please refer to your response to Interrogatory DFC/USPS-78 subparts c and d.

[a] Please advise when the revised response to Interrogatory DBP/USPS-541 will be filed.

[b] Please advise whether any follow-up interrogatories to Interrogatory DFC/USPS-78 will be due seven days after filing of that response or the filing of the revised response to Interrogatory DBP/USPS-541 which is referred to in the response to Interrogatory DFC/USPS-78.

RESPONSE

(a) No plans for doing so have been formulated. The citation was intended to be to DBP/USPS-341, which was revised on October 11, 2006.

(b) See the response to subpart (a). In any event, this question seems to request an interpretation of the Commission's Rules of Practice and Procedure, as opposed to factual information relevant to some substantive issue in this docket. Accordingly, no response is deemed to be required.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-698 Please refer to your response to Interrogatory DFC/USPS-79. Your response indicates that the intended use of the Forever Stamp is on one-ounce single-piece First-Class Mail letter shaped pieces, and that other uses will be tolerated but not encouraged. Please indicate how the concept of "tolerated but not encouraged" will appear in the:

[a] DMCS.
[b] DMM.
[c] Publicity information.
[d] Is this the first time that the Postal Service has adopted a concept of "tolerated but not encouraged"?
[e] If not, please indicate any other examples of "tolerated but not encouraged" that appear in the DMCS.
[f] Please advise what penalties or other adverse action will be taken against any mailers who take advantage of the "tolerated but not encouraged" use of the Forever Stamp.

RESPONSE

(a) Any comparison of the DMCS and the DMM leads to an appreciation for the fact that not all details relevant to each rate category are reflected in the former. In this regard, the Postal Service's proposed Forever Stamp is not unusual.

(b) In the form of words.

(c) In the form of words and/or graphics that will be determined at some appropriate future date.

(d) Given the varied nature of the billions and billions of postal customer transactions over the past 36 years, that seems unlikely.

(e) N/A.

(f) It is unclear why the Postal Service would penalize or take adverse action against mailers who engage in activity that is explicitly not prohibited.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGAOTRY OF DAVID POPKIN

DBP/USPS-699 Please refer to your response to Interrogatory DBP/USPS-673. The Interrogatory asks for the status on any plans to expand or reduce the number of Automated Postal Centers [APCs] in service. This contemplates plans for a foreseeable time in the future. Your response to Interrogatory DBP/USPS-673 appears to indicate that there were no additions or subtractions over some unspecified period in the past. Please discuss future plans.

RESPONSE:

PRESIDING OFFICER'S RULING NO. R2006-1/99 regarding to motion to compel a response to DBP/USPS-673 read thusly:

DBP/USPS-673
Please refer to your response to Interrogatory DBP/USPS-285. Please advise specifically if there are any plans to expand or reduce the number of Automated Postal Centers [APCs] in service.

Interrogatory DBP/USPS-285(e) asks the Postal Service to discuss any plans to expand or reduce the number of APCs in service. The Postal Service responded, inpart, that it "plans to continue improving access to prompt, reliable and efficient services, and is constantly evaluating its efforts to do so." The Postal Service response indicates it is constantly evaluating the number of APCs, **but it does not indicate whether additions or subtractions have been approved** (emphasis added). The motion to compel a response with respect to DBP/USPS-673 is granted.

That is why the response to DBP/USPS-673 was: No additions or subtractions have been approved.

The complete answer therefore is "The Postal Service is constantly evaluating the number of APCs it needs. No additions or subtractions have been approved."

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGAOTRY OF DAVID POPKIN

DBP/USPS-700 Please refer to your response to Interrogatory DBP-USPS-684. The fourth sentence of your response, as updated, states, "The Postal Service intends to give credit for such uses at the original purchase price." The September 27, 2006, Federal Register states the following as the second sentence of the proposed revision to DMM Section 604.1.10, "The postage value of each forever stamp is the current First-Class Mail single-piece 1-ounce letter rate." Please explain the conflict between these two. If the Postal Service intends to give credit at the original purchase price [as noted in the Interrogatory response], why are they providing a proposed DMM rule [in the Federal Register] which provides a postage value of the current letter rate as opposed to the original purchase price?

RESPONSE

The fourth sentence of the response to DBP/USPS-684 should have been read:

> The Postal Service intends to give ~~is considering giving postage~~ credit for such uses at the currently applicable First-Class Mail single-piece 1-ounce letter rate. ~~original purchase price, but a final determination has not yet been made.~~

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DOUGLAS CARLSON
Revised: December 6, 2006

DFC/USPS-80. Please refer to the response to DFC/USPS-78(c), the sentence "Once purchased, the Stamp may be used for first-ounce letter postage at any time in the future, regardless of the prevailing rate at the time of use" that witness Taufique proposed for DMCS section 241, and proposed DMM section 604.1.10, which appears in the notice published at 71 Fed. Reg. 56,587 on September 27, 2006.

a. Please confirm that the Postal Service interprets the sentence quoted in the opening paragraph of this interrogatory as providing that the postage value of each "Forever Stamp" is the current First-Class Mail single-piece one-ounce letter rate. If you do not confirm, please explain.
b. Please confirm that proposed DMCS section 241 could reasonably and properly be interpreted to permit customers to use a "Forever Stamp" on First-Class letters only, to the exclusion of other classes or shapes of mail. If you do not confirm, please explain.
c. Please discuss the extent to which the Postal Service believes that proposed DMCS section 241 does or does not permit the Postal Service to restrict the use of the "Forever Stamp" to First-Class letters.

RESPONSE

a. Confirmed.

b. Not confirmed. Such an interpretation could be reasonable without being proper.

c. The language of proposed DMCS § 241 does not permit the Postal Service to restrict the use of the Forever Stamp to First-Class Mail letters. The language proposed for DMCS § 241 embodies the Postal Service's proposal, endorsed by its management and the Board of Governors, to create a means for applying postage to First-Class Mail letters that would not expire with future rate changes. The background and intent of the policy furthered by the proposal have been explained at length in witness Taufique's testimony (USPS-T-48) and answers to

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RESPONSE to DFC/USPS-80 (continued):

numerous interrogatories. The language proposed was carefully chosen to conform to the proposal and not a proposal to create a vehicle for "forever" postage for all classifications.

Nevertheless, proposed DMM 604.1.10, as explained and elaborated in response to various interrogatories (DBP/USPS-341, 510, 606, 616, 619(c), 620, 622, 643, 644, 647, 648, 657, 674, 677, 684, and 700; not to mention DFC/USPS-78(c) and DFC/USPS-79), reflects the Postal Service's determination that Forever Stamps may be applied to mail matter other than one-ounce First-Class Mail letters. If the Postal Service determines in the future that alternative uses of the Forever Stamp should be restricted, it will propose amendments to the DMCS language to reflect that objective.

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DFC/USPS-81. Please refer to the response to DFC/USPS-79(b).

a. Please confirm that the DMCS language proposed in DFC-T-1 is fully consistent with the *actual use* of the "Forever Stamp" that the Postal Service proposes to allow or "tolerate." For purposes of this interrogatory, the term "actual use" is distinct from "intended use" and does not encompass issues related to intended use.

b. Please confirm that the only difference, for purposes of resolving the issues in this proceeding, between the responses to DBP/USPS-340 and 341 and the DMCS language proposed in DFC-T-1 is that DFC-T-1 proposes that the intended purpose of the Forever Stamp be for use on all mail classes, while in contrast the Postal Service's interrogatory responses emphasize that the intended use of the "Forever Stamp" is on one-ounce single-piece First-Class Mail letter-shaped pieces and that other uses will be tolerated but not encouraged. If you do not confirm, please explain the other differences between the responses to DBP/USPS-340 and 341 and the DMCS language proposed in DFC-T-1.

RESPONSE

a. The DMCS language proposed in DFC-T-1 would appear to be consistent with the intent of the Postal Service's proposed DMCS § 241 and proposed DMM 604.1.10. As noted in the response to DFC/USPS-80, however, the language of proposed DMCS § 241 was chosen carefully to represent the Postal Service's proposal for a Forever Stamp. In this regard, the *actual* use of the Forever Stamp would seem to consist of its *intended* use to pay postage for one-ounce First-Class Mail letters, as well as alternative uses that will be *tolerated*, as explained in responses to numerous interrogatories identified in response to DFC/USPS-80(c). It is not clear whether the question's use of the term "allow" is intended to

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RESPONSE to DFC/USPS-81 (continued):

create a distinction not reflected in the Postal Service's explanations, although it is assumed that the question does not embody that intent.

b. The language proposed in DFC-T-1 appears to embody a proposal different from that reflected in proposed DMCS § 241, namely, to provide for a non-denominated, non-expiring stamp for First-Class Mail letters. The Postal Service has no knowledge or understanding of the intent or effect of the language proposed in DFC-T-1, other than what is expressed in that testimony and in DFC/USPS-81(b). The Postal Service presumes that the meaning and case for this alternative proposal will be explained and advocated further at subsequent stages of this proceeding.

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DFC/USPS-82. Please refer to the response to DFC/USPS-78(c), the response to DFC/USPS-80(b), the sentence "Once purchased, the Stamp may be used for first-ounce letter postage at any time in the future, regardless of the prevailing rate at the time of use" that witness Taufique proposed for DMCS section 241, and proposed DMM section 604.1.10, which appears in the notice published at 71 Fed. Reg. 56,587 on September 27, 2006. Please confirm that proposed DMCS section 241 could reasonably be interpreted to permit customers to use a "Forever Stamp" on First-Class letters only, to the exclusion of other classes or shapes of mail. If you do not confirm, please explain.

RESPONSE

Not if read in conjunction with the record in this docket, the proposed DMM language and other materials that the Postal Service intends to publish in conjunction with the implementation of the Forever Stamp, if it is recommended and approved as proposed.

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DFC/USPS-83. Please refer to the response to DFC/USPS-78(c), the response to DFC/USPS-80(b), the sentence "Once purchased, the Stamp may be used for first-ounce letter postage at any time in the future, regardless of the prevailing rate at the time of use" that witness Taufique proposed for DMCS section 241, and proposed DMM section 604.1.10, which appears in the notice published at 71 Fed. Reg. 56,587 on September 27, 2006. Please confirm that proposed DMCS section 241 could properly be interpreted to permit customers to use a "Forever Stamp" on First-Class letters only, to the exclusion of other classes or shapes of mail. If you do not confirm, please explain.

RESPONSE

Not confirmed. See the responses to DFC/USPS-80(b), DFC/USPS-81, and

DFC/USPS-82.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE OCA

OCA/USPS-109. The program "City Carrier Street Time Model.2004 data.variability equations.encrypted.sas" is presented in USPS-LR-L-180. The program references a number of files: Street.Time.MaskedZips.prn, LFVolume.MaskedZips.prn, PAVolume.MaskedZips.prn, Possible.Del.Points.MaskedZips.prn, and Density.MaskedZips.prn. None of the files is provided in "prn" format in USPS-LR-L-179. Please provide the files in "prn" format.

RESPONSE:

The requested files were filed in response to TW/ADVO/USPS-3.

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OCA/USPS-110. In lieu of the referenced ".prn" files, a number of Excel files which appear generally to provide the data required to run the program "City Carrier Street Time Model.2004" are provided in USPS-LR-L-180. In some cases the variable names used in the SAS program in USPS-LR-L-180 are not consistent with the variable names used in the Excel files provided in USPS-LR-L-179. Accordingly, OCA requests clarification of variable names.

(a) Please provide a 1-1 mapping of the names used in the SAS program in USPS-LR-L-180 in reading the file associated with Time with the names in the Excel file Streeet.Time.maskedZips.xls, found in USPS-LR-L-179.

(b) In the case of Street.Time.maskedZips.xls in USPS-LR-L-179 there appear to be more columns than data items read by the SAS program. Please explain the additional data items and their potential usage.

RESPONSE:

(a) After the variables for ZIP, route, and date, the SAS program provided in USPS-LR-L-180 reads in the variables in Street.Time.maskedZips.xls, found in USPS-LR-L-179, in order.

(b) These items, which are non-street time, offclock time, prep time, and na (error) time, are not used in the variability analysis. These data items are discussed in USPS-LR-L-179.

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OCA/USPS-111. In attempting to run the SAS program in USPS-LR-L-180, one obtains the following information in the SAS Log:

```
75   ********************************************************************* ;
76   *** This section of the program converts alphabetic route numbers*** ;
77   ***     and constructs a unique Zip-Route ID for each route**************;
78   *********************************************************************;
79
80   Data time2; set time1;
81   if mzip='62398' and rt='02' then rt='01';
82   if rt = 'XX' then rt=99.9;
83   if rt = '0A' or rt = '0B' or rt = '0D' or rt = '0E' or rt = '0W'
84   or rt = '1A'  or rt = '4A'  or rt = '4B'  or rt = 'A7'  or rt = 'C2'
85   or rt = 'C3'  or rt = 'CA'  or rt = 'CK'  or rt = 'CT'  or rt = 'CV'
86   or rt = 'ES'  or rt = 'EV'  or rt = 'F1'  or rt = 'G5'  or rt = 'HK'
87   or rt = 'IT'  or rt = 'L1'  or rt = 'L3'  or rt = 'L7'  or rt = 'MD'
88   or rt = 'MF'  or rt = '01'  or rt = '02'  or rt = '05'  or rt = '07'
89   or rt = 'OL'  or rt = 'P1'  or rt = 'P2'  or rt = 'RE'  or rt = 'UX'
90   or rt = 'VY'  or rt = 'W8'  or rt = '1M'  or rt = 'AT'  or rt = 'CD'
91   or rt = 'OS'  or rt = 'SA'  or rt = 'SJ'  or rt = 'SS'  or rt = 'TH'
92   or rt = 'C1'  or rt = 'C9'  or rt = '5A'  or rt = 'XP'  or rt = 'LK'
93   or rt = 'P6'  or rt = 'S9'
94   then nrt=11.1;
95   else nrt=rt;
96   rtind=nrt/100;
97   ziprt=mzip+rtind;
98   run;

NOTE: Character values have been converted to numeric
      values at the places given by: (Line):(Column).
      81:9    95:10
NOTE: Numeric values have been converted to character
      values at the places given by: (Line):(Column).
      82:22

NOTE: Invalid numeric data, rt='519C0004' , at line 95 column 10.
mzip=10303 rt=519C0004 date=22APR2004 lfdt=0 cudt=0 ndct=0 vmdt=0 cedt=0 dmdt=0
ddtt=0 ntt=1076 tftt=1060 rlt=0 gct=0 ect=0 pdt=716 adt=0 padt=0 padt2=0 cpdt=0
nonstrt=0 offclock=0 strtprep=0 na=2490 nrt=. rtind=. ziprt=. _ERROR_=1 _N_=6

NOTE: Invalid numeric data, rt='519C0004' , at line 95 column 10.
mzip=10303 rt=519C0004 date=23APR2004 lfdt=0 cudt=0 ndct=0 vmdt=0 cedt=0 dmdt=0
ddtt=0 ntt=10519 tftt=2162 rlt=0 gct=0 ect=0 pdt=2736 adt=523 padt=0 padt2=13
cpdt=0 nonstrt=0 offclock=0 strtprep=0 na=1210 nrt=. rtind=. ziprt=. _ERROR_=1
_N_=7

NOTE: Invalid numeric data, rt='519C0004' , at line 95 column 10.
mzip=10303 rt=519C0004 date=24APR2004 lfdt=0 cudt=0 ndct=11490 vmdt=0 cedt=0
dmdt=0 ddtt=0 ntt=0 tftt=2475 rlt=0 gct=0 ect=0 pdt=3255 adt=150 padt=0 padt2=0
cpdt=0 nonstrt=0 offclock=0 strtprep=0 na=1623 nrt=. rtind=. ziprt=. _ERROR_=1
_N_=8
```

The program eventually reaches the limit for reportable errors. An examination of the databases appears to show that the variable "date" is in the form of a character variable in the Street Time database, but is in the form of a numeric variable in both of the volume databases. The variable "route" appears to be a character variable in all three databases. However, there seems to be some automatic conversion of character and numeric variables in the SAS log, after line 98. This may be indicative of a problem; in any case, the databases furnished do not appear to be compatible with the program.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE OCA

(a) Please identify needed corrections to the SAS program in order that it will reproduce the results reported in USPS-LR-L-180 when using the data from the furnished Excel files in USPS-LR-L-179.
(b) Please provide the appropriate databases(s) so that the program will run.

RESPONSE:

a-b. The SAS program should run without error using the .prn files provided in the response to TW/ADVO/USPS-3.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO POIR NO. 21, QUESTION 1

1. The response to PSA/USPS-T36-5 states,

> [t]he unit cost estimates for ECR parcels in USPS-LR-L-84 were significantly higher than the unit cost estimates developed for Standard Mail Regular parcels. Given the higher average degree of preparation typical of ECR parcels, lower unit costs would normally have been expected. In light of this anomalous relationship and the extraordinarily high estimated values for the unit costs, I determined that the USPS-LR-L-84 unit cost estimates for ECR parcels were not suitable to use in developing ECR parcel pricing.

In response to Presiding Officer's Information Request No. 10, Question 2, witness Smith provided an adjustment that lowered the unit parcel cost for Standard ECR from $24.50 to $0.2787. This adjustment is consistent with the adjustment made for Standard Regular mail and results in a unit cost for ECR parcels that is lower than the unit cost for Standard Regular parcels. In explaining this adjustment witness Smith said,

> [e]ven without knowing the source for the cost anomaly, one can support the use of this method to adjust Standard ECR parcel costs on the basis that ODIS-RPW and the cost systems are both sample based and have the same definition of shape and, therefore, both may well diverge from RPW by shape data in a parallel way.

It appears that the same logic would apply for the various density levels within Standard ECR parcels and that a similar adjustment could be applied to the unit costs in USPS-LR-L-84 and USPS-LR-L-107 (PRC version) for both Basic and High Density/Saturation parcels. Please provide revised versions of USPS-LR-L-84 and USPS-LR-L-107 that reflect the appropriate adjustment. If an appropriate adjustment cannot be made, please explain fully.

RESPONSE:

The response to POIR No. 10, Question 2 centers on the application of an adjustment factor to parcel and flat costs derived from the difference between ODIS and RPW based volume estimates. It is not possible to mimic this adjustment in USPS-LR-L-84 and USPS-LR-L-107 in the manner requested because ODIS does not provide volumes by ECR density level. It is possible to apply the adjustment uniformly across the density levels but there is no a priori

information that would suggest this procedure is appropriate. As an exercise, such adjusted values are given below. Their use is neither recommended nor endorsed.

Attachment 1 shows the application of the parcel cost adjustment factor derived in the response to POIR No. 10, Question 2 to the costs used in USPS-LR-L-84. The adjustment factor for parcels (0.0114) is applied to both Basic and High Density/Saturation parcel costs. Adjusted flats costs are found residually, taking the cost at each density level and subtracting the adjusted parcel cost for that level. The resulting flats adjustment ratio is 1.039 for Basic flats and 1.014 for High Density/Saturation flats. Finally, the unit dropship adjustment factors are added to obtain the final estimate.

Attachment 2 is comparable to Table 1 in USPS-LR-L-84 using the adjusted unit costs from Attachment 1. Attachment 3 derives the adjusted unit costs with respect to estimates in USPS-LR-L-107 (PRC Version). Attachment 4 is based on Table 1 in USPS-LR-L-107 but using adjusted unit costs from Attachment 3.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO POIR NO. 21, QUESTION 1

Attachment 1

Dropship Adjusted Unit Costs Re-adjusted for ODIS/RPW Volume by Shape Differences

ECR	[1] TY08 Volume (000s)	[2] Costs (000s)	[3] Base Unit Cost (Cents)	[4] ODIS/RPW Adj Factor	[5] Adjusted Costs (000s)	[6] Adj Unit Cost (Cents)	[7] Dropship Adj (Cents)	[8] Dropship Adj Unit Cost (Cents)
Basic Flats	13,893,961	444,057	3.20	1.0390	461,364	3.321	0.815	4.136
Basic Parcels	583	17,506	3002.25	0.0114	199	34.148	0.414	34.562
Basic Nonletters	13,894,544	461,563	3.32		461,563	3.322	0.815	4.137
HD/SAT Flats	12,812,078	74,235	0.58	1.0140	75,277	0.588	1.019	1.607
HD/SAT Parcels	174	1,054	604.30	0.0114	12	6.873	2.094	8.968
HD/SAT Nonletters	12,812,253	75,289	0.59		75,289	0.588	1.019	1.607

[1] USPS-LR-L-84, LR-L-84.xls, "Results" worksheet, column [2].
[2] USPS-LR-L-84, LR-L-84.xls, "Results" worksheet, column [3].
[3] USPS-LR-L-84, LR-L-84.xls, "Results" worksheet, column [4].
[4] Parcels: USPS/POIR 10, Question 2, Attachment 4. Flats: [5] / [3].
[5] Parcels: [2] x [4]. Flats: density level nonletter subtotal costs minus parcel costs.
[6] [5] / [1].
[7] USPS-LR-L-84, LR-L-84.xls, "Results" worksheet, column [5].
[8] [6] + [7].

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO POIR NO. 21, QUESTION 1

Attachment 2
TY08 Dropship-Adjusted Unit Costs Re-adjusted
for ODIS/RPW Volume by Shape Differences (cents)
Standard Mail ECR

ECR Rate Category	Unit Cost (cents)
Auto Basic Letters	4.748
Basic Letters	4.483
High Density/Saturation Letters	1.095
Basic Flats	4.136
Basic Parcels	34.562
Total Basic Nonletters	4.137
High Density/Saturation Flats	1.607
High Density/Saturation Parcels	8.968
Total High Density/Saturation Nonletters	1.607

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO POIR NO. 21, QUESTION 1

Attachment 3

Dropship Adjusted Unit Costs Re-adjusted for ODIS/RPW Volume by Shape Differences

ECR	[1] TY08 Volume (000s)	[2] Costs (000s)	[3] Base Unit Cost (Cents)	[4] ODIS/RPW Adj Factor	[5] Adjusted Costs (000s)	[6] Adj Unit Cost (Cents)	[7] Dropship Adj (Cents)	[8] Dropship Adj Unit Cost (Cents)
Basic Flats	13,893,961	467,298	3.36	1.0312	481,862	3.468	0.890	4.358
Basic Parcels	583	14,732	2526.43	0.0114	168	28.736	0.453	29.189
Basic Nonletters	13,894,544	482,029	3.47		482,029	3.469	0.890	4.359
HD/SAT Flats	12,812,078	97,667	0.76	1.0138	99,019	0.773	1.119	1.892
HD/SAT Parcels	174	1,368	783.97	0.0114	16	8.917	2.298	11.215
HD/SAT Nonletters	12,812,253	99,034	0.77		99,034	0.773	1.119	1.892

[1] USPS-LR-L-107, LR-L-107.xls, "Results" worksheet, column [2].
[2] USPS-LR-L-107, LR-L-107.xls, "Results" worksheet, column [3].
[3] USPS-LR-L-107, LR-L-107.xls, "Results" worksheet, column [4].
[4] Parcels: USPS-LR-L-185. Flats: [5] / [3].
[5] Parcels: [2] x [4]. Flats: density level nonletter subtotal costs minus parcel costs.
[6] [5] / [1].
[7] USPS-LR-L-107, LR-L-107.xls, "Results" worksheet, column [5].
[8] [6] + [7].

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO POIR NO. 21, QUESTION 1

Attachment 4
TY08 Dropship-Adjusted Unit Costs Re-adjusted
for ODIS/RPW Volume by Shape Differences (cents)
Standard Mail ECR

ECR Rate Category	Unit Cost (cents)
Auto Basic Letters	4.756
Basic Letters	4.088
High Density/Saturation Letters	1.214
Basic Flats	4.358
Basic Parcels	29.189
Total Basic Nonletters	4.359
High Density/Saturation Flats	1.892
High Density/Saturation Parcels	11.215
Total High Density/Saturation Nonletters	1.892

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION (PSA/USPS-2)

PSA/USPS-2. Please refer to witness Miller's response to UPS/USPS-T21-14(c). Will IOCS data collectors systematically record PRS pieces as dropship or non-dropship?

RESPONSE:

PRS mailpieces will be systematically assigned to dropship. During the base year, while PRS was an experimental product, these had the marking "PARCEL SELECT RETURN SERVICE" or "PARCEL SELECT RTN SVC"; see DMM 507.12.4.4 for similar current specifications. IOCS data collectors would have recorded parcel-shape PRS mailpieces as follows:

Q23E2 Presence of Indicia:	G. Permit Imprint/"US Postage Paid"/ "No Postage Necessary"/"Response Payee"
Q23E12 Type of Permit Mail (Parcel):	E. Other Permit (None of the Above)
Q23G1 Mail Class Markings:	H. Parcel Select